ECONOMIC LIBERTY

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BY

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LONGMANS, GREEN AND CO.
39 PATERNOSTER ROW, LONDON
FOURTH AVENUE & 30TH STREET, NEW YORK
BOMBAY, CALCUTTA, AND MADRAS
1920

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PREFACE

This book consists of a series of essays. They are grouped together under one title because they are all inspired with one purpose—the desire to defend economic liberty against the attacks made upon it by men and women who think that they can secure progress by various schemes for curtailing freedom. In reality the path these professed reformers are treading leads downwards, not upwards. Without liberty there can be no enterprise, and without enterprise there can be no progress. Liberty can be abused ; but it is the business of the community to prevent the abuse, not to destroy the liberty. The real test to be applied is whether the individual is injuring others by the use he makes of his own liberty. If so he must be restrained. But it does not follow that in all cases the best form of restraint is the employment of the power of the State. That power may legitimately be used to repress the cruder forms of wrong-doing such as murder, or highway robbery, or the sale of adulterated goods, or the acceptance of secret commissions. But the methods of the State are not, and never can be, elastic enough to deal with the ever-varying complexities of social life. Therefore it is better wherever possible to look to the persuasive power of the individual conscience rather than to the coercive power of the State. Universal State regulation atrophies conscience, just as it destroys

initiative. Men must be left some liberty of wrong-doing in order that they may be able to develop an active desire for right-doing. To stimulate a sense of honour we must trust people to act upon it. Under no conditions can State regulation ever take the place of the individual conscience; for the action of the State itself depends upon the impulses of the individuals who compose and guide it. For these reasons it is better to endure some evils that may result from the absence of regulation rather than lose the boons that liberty brings.

H. C.

May 1920.

The thanks of the author are due to the editors of the *Guardian* and of the *Quarterly Review* for permission to reprint the articles embodied in Chapters II. and V. The larger part of several of the other chapters first appeared in the *Edinburgh Review*.

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CHAPTER I

ECONOMIC LIBERTY

To say that all men love liberty is perhaps a verbal exaggeration, but the statement does not go far beyond the facts. It is true that a considerable portion of the human race lives under conditions which, by their very severity, produce a spirit of passive acquiescence and leave little room for the development of the idea of liberty. There are certainly millions of people living under such conditions in eastern Asia; there are still some left in western Europe. Like the oxen that draw the plough they eat and work and sleep, they sleep and work and eat. But though among human beings living this almost animal existence the spirit to demand new liberties may be undeveloped, there is generally even among them an appreciation of the value of such liberties as they do enjoy, and they resist—often with passionate determination—attempts to deprive them of those liberties. To this extent at any rate it may safely be said that even among the least enterprising sections of the human race the love of liberty does exist. In the more enterprising sections it is a dominant force. Not only is it the expression of human personality, but it is also the essential requisite to human progress. Progress implies change, and unless the individual has freedom of action he can make no change in the established current of life, and progress becomes impossible.

These considerations seem so obvious that it is almost necessary to apologise for putting them on paper. For centuries the praise of Liberty has been on the lips of

all mankind; poets have chanted her glories; crowds have waved her flag; wars have been fought and constitutions elaborated to secure her boons. If ever there were a proposition that seemed to require no proof, it is that liberty is a thing desired by man. Yet we are faced with the strange fact that constantly and in all countries schemes are advocated and often carried into execution for depriving peaceful citizens of one of the liberties most essential to their well-being—economic liberty.

By economic liberty is meant such liberties as the following: liberty to work or not to work, liberty to the workman to accept such conditions of work as are agreeable to him, liberty to groups of workers to agree together as to the conditions on which they will work, liberty to buy and sell within the kingdom or without, liberty to the buyer and seller to do business together on such terms as are agreeable to themselves, liberty to possess property and to use it in any way that does not conflict with the well-being of other people. These are liberties that all men instinctively desire, or by experience of life learn to desire. Yet constantly we find one or other of these liberties placed in peril, or forcibly denied. In earlier centuries various denials of liberty were common which no one now openly advocates. A good example is furnished by the sumptuary laws, which prescribed the kind of clothing which subjects of the Crown should wear according to their rank in life. A revival of such laws in the old form is probably impossible, but if a completely socialistic State were ever established, the ruling authority would, in accordance with the true principles of Socialism, be bound to condemn all citizens, male and female, to wear clothing of standard design and pattern.

A later and more enduring example of State interference with individual liberty is furnished by the Statute of Apprentices passed in the fifth year of the reign of Queen Elizabeth. This statute gave the sanction of law to the exclusive privileges which the trade corporations

or guilds claimed for themselves. It enacted that no person should exercise any trade, craft, or mystery at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least. Not only was such a law obviously unfair to men who wished to improve their position, masters and workmen alike, but it also of necessity obstructed the development of industry. The evil effects of the law were partly obviated by the decision of the courts that the statute only applied to trades in existence in the fifth year of Queen Elizabeth, so that newly established industries in new towns were free. But the law itself was not repealed until the second decade of the nineteenth century.

Similar restrictive laws, or customs having virtually the effect of law, were in operation for several centuries in most European countries. Their whole purpose was to confer a monopoly upon the persons who happened to be engaged in a particular industry in a particular town, obviously to the injury of all the rest of the community. This mischievous interference with industrial liberty was one of the first matters to which the French Revolutionary Assembly devoted its attention. In March 1791 a decree was passed by the National Assembly abolishing the power of trade corporations to restrict the practice of each occupation to the members of the corporation concerned. The decree is worth quoting :—

'À compter du 1. Avril prochain (1791) il sera libre à toute personne de faire tel négoce, d'exercer telle profession, art ou métier qu'elle trouvera bon.'

Incidentally this decree brought the Assembly into conflict with the journeymen employed in different industries who wanted to combine together to raise rates of pay. Within a few weeks of the passing of the decree the journeymen carpenters had formed a 'coalition' to increase their pay and to prevent other journeymen from working at other rates, and to prevent the masters from

employing other workers. Other 'coalitions' were also formed, and on 26th April a proclamation was issued by the municipality over the signature of Mayor Bailly reproaching these workmen for neglecting their work in order to debate with one another and make rules for arbitrarily fixing the price of their labour. The proclamation then proceeded to lay down the following general principles :—

'Tous les citoyens sont égaux en droit, mais ils ne le sont point, et ne le seront jamais en facultés, en talents et en moyens : la nature ne l'a point voulu. Il est donc impossible qu'ils se flattent de faire tous les mêmes gains. Une loi qui taxerait le prix de leur travail et qui leur ôterait l'espoir de gagner plus les uns que les autres serait donc une loi injuste. Une coalition d'ouvriers pour porter le salaire de leur journée à des prix uniformes, et forcer ceux du même état à se soumettre à cette fixation, serait donc évidemment contraire à leurs véritables intérêts.'

The principles here laid down are in the main sound, but they leave out of account the fact that an isolated workman, dependent for his daily bread upon his daily pay, is not in a position to bargain on equal terms with an employer who has capital behind him. Combinations of workmen for common support are a legitimate development of individual liberty, provided no compulsion is used to bring unwilling workers within the combination. In practice this proviso is constantly ignored by trade unionists, but the business of the State is to enforce the proviso, not to forbid combinations which are purely voluntary. The French National Assembly in 1791, largely because it feared the revival of the old trade corporations, decided on absolute prohibition, and a decree was passed in June of that year forbidding members of the same trade or occupation, whether masters or workmen, to form combinations and to draw up regulations 'sur leurs prétendus intérêts communs.' Any agreements for refusing to sell either goods or labour except on certain

terms, even if backed by an oath, were declared to be null and void and in conflict with the Rights of Man. Various penal clauses followed.

Nine years later a law was passed specially directed against wage-earners, and imposing a penalty of six months' imprisonment on workmen who formed any agreement to cease work in certain workshops or to raise the price of labour. This distinct privilege conferred upon employers was subsequently modified, in theory at any rate, by a clause in the penal code which made employers equally liable to punishment if they formed combinations in restraint of trade. But down to 1884 trade unions remained illegal in France, and many thousands of French workmen had by that date been sent to prison for organising strikes.

The French law of 1884 placed the liberty of combination on a sound basis. It declared that it was no longer a crime to take concerted measures in preparation for a strike or for the maintenance of wages, provided that such measures did not involve acts of violence or fraudulent manœuvres.

In our own country liberty of combination among workpeople was seriously restricted by an Act passed in 1825, and trade unions did not gain full legal liberty until 1875. On the whole the nation has gained by the liberty then accorded to trade unions. The limits within which collective action can raise wages are perhaps more narrow than is generally imagined, but there is little doubt that the existence of a trade union does enable wage-earners to bargain to better advantage than if each man were acting individually. So long as this power of collective bargaining is only used to secure for the members of the group concerned that share of wealth to which the economic situation fairly entitles them, the general body of the nation gains, because greater justice in the distribution of wealth is secured. Until recent years trade unions have not in the main abused their power. But

the possession of power creates temptations which few individuals or societies can long resist. In the present century most of the trade unions have converted themselves into political organisations, unfairly using for that purpose the subscriptions of members who are opposed to the views of the governing committee. They have further proceeded by means of pressure exercised upon Parliament to secure for themselves legal privileges which involve a denial of justice to the rest of the community. In the name of 'peaceful picketing,' now sanctioned by law, the governing committee of a trade union can terrorise men into abstaining from work when they have no desire whatever to lay down tools. Backed by the Trades Disputes Act, the trade unions of the twentieth century are able to wield in many industries a tyranny which is more extensive and not less mischievous than that exercised by the trade corporations three centuries ago.

As regards liberty of commerce the tale is one of unceasing fluctuation. At times the power of the State has been used to prohibit trading with foreigners almost entirely; at other times foreign commerce has been eagerly encouraged. On the whole, England's record in this, as in most aspects of liberty, stands well in comparison with that of other countries. At a quite early date the advantage of freedom in commerce was recognised by our ancestors even when the traders were aliens. The 41st chapter of Magna Carta contains the following provision :—

'All merchants shall have safe and secure exit from England, and entry to England, with the right to tarry there and to move about as well by land as by water, for buying and selling by the ancient and right customs, quit from all evil tolls except (in time of war) such merchants as are of the land at war with us. And if such are found in our land at the beginning of the war, they shall be detained, without injury to their bodies or goods, until information be received by us, or by our chief justiciar, how the merchants

of our land found in the land at war with us are treated; and if our men are safe there, the others shall be safe in our land.'

Magna Carta was signed in the year 1215 by an absolute monarch at the bidding of a body of aristocrats. In the year 1919, in the month of October, a House of Commons, elected upon almost the widest possible democratic franchise, was engaged in devising obstacles to the employment of aliens within the kingdom, even in the case where the aliens were citizens of countries which had fought side by side with England in the greatest war in which she had ever been engaged. On this episode a significant comment was made at the time by one of the leading newspapers of France. The *Journal des Débats* wrote of the Aliens Bill then before the House of Commons :—

'This Bill tends to eliminate practically all foreign workers. It draws no distinction between the Allies and the Neutrals. The country which formerly was the most open is now drawing round itself a Great Wall of China.' (*Times*, October 27, 1919.)

The incident here dealt with shows one of the dangers that liberty runs in the present day. Democracies are always impatient. They are influenced by the passions of the moment and are rarely cognisant of the facts of the past or alive to the dangers of the future. If any inconvenience arises they jump at the first hasty prescription which is recommended as a cure, and the politician—since his success depends on popular favour—finds it more profitable to echo the shout of the crowd than to emphasise hard facts or to advocate well-tested principles. There is thus a constant danger that modern parliaments may at any moment, in obedience to a passing wave of public opinion, sweep away liberties that our ancestors won after many a hard struggle and the possession of which has long been part of the pride of England.

There is, however, an even more serious danger than

this. Powerful organisations, amply supplied with funds and inspired with fanatical zeal, are to-day deliberately working to destroy economic liberty throughout Great Britain. This statement has no reference to the organisations still existing for the advocacy of protective tariffs or other restraints upon the free interchange of goods and services with the outer world. That particular form of interference with economic freedom, though irritating to the individuals adversely affected by it, and on balance injurious to the prosperity of the country, is a far less serious matter than the complete destruction of all forms of economic liberty which would follow upon the establishment of State Socialism. Opinions vary among Socialists as to the actual form of socialistic organisation which they desire, but they are all agreed in demanding the abolition of private property in the means of production and the elimination of the pursuit of profit as a motive for effort. For several years before the war the Socialists were rapidly gaining ground. Their speakers promised unlimited wealth to the wage-earning population in return for infinitesimal work, provided only that the capitalistic system were swept away. Nobody took much trouble to reply to them. Many of their statements were so palpably false that they hardly seemed to need a reply. It was for example, and still is, a commonplace of Socialist oratory that all the poverty in the world is due to capitalism. That such a statement should be made in face of the known facts of history is a striking illustration of the imaginative capacity of platform orators and the unquestioning receptiveness of popular audiences. Poverty is not the result of capitalism; it is the original condition of man. Primitive man knows nothing of wage-earning or profit-hunting. All his energies are absorbed in the hunt for food, and he goes forth day by day uncertain whether he will find a meal or furnish one; whether he will eat or be eaten.

But the Socialists, even when forced to admit that

poverty preceded capitalism, and that capitalism has been followed by the establishment of a higher standard of general comfort among a vastly increased population, still claim that the inequalities of fortune are due to capitalism, and that the greed of the capitalist is responsible for all the remaining miseries of mankind. It is not surprising that such arguments should appeal to men living in narrow circumstances, working to the best of their ability and seeing constant evidence of spacious wealth possessed by others who are not obviously engaged in any form of industry. Every apostle of a new social creed in turn points to this contrast between riches and poverty and claims that its existence proves the truth of his gospel.

To take a recent case, Henry George in his book *Progress and Poverty*, which had an immense popular success in the 'eighties, attributed to the private ownership of land alone all the evils that the Socialists of to-day attribute to the private ownership of capital. He and his followers believed in capitalism; they had no objection to private ownership of capital or to profit-seeking; in their minds the landowner was the one enemy of mankind, the one obstacle to human progress. Their simple remedy for all the ills that curse the world was to tax every owner of land at the rate of 20s. in the £ on the value of his land. Some people still believe in this strange fancy, but as a political creed it has been swept aside by the advance of Socialism. More logical, up to a certain point, than the land taxer, the Socialist sees that though bare land may have pre-eminent importance in a new country, such as California was when Henry George lived and wrote there, it is only a minor factor in the well-being of an industrial population.

The Socialist sees clearly that the confiscation of rent alone would leave untouched the much larger volume of wealth accruing to private individuals from the private ownership of capital. He includes land, it is true, in

his programme of confiscation, but it is mainly against the private ownership of industrial capital that his attack is directed. Assuming that the wealth of the capitalist is obtained by the robbery of the wage-earner, the Socialist argues that the only way to establish a reign of justice is to get rid of the private ownership of all capital, and to 'socialise' all the means of production and distribution.

This Socialist creed has spread rapidly since the war; partly because the war itself has shaken loose old habits of thought, and left the mind free to assimilate new theories; partly because during the war the insistent demand for men and ever more men to fill the fighting ranks or to fashion weapons of war enhanced the value of mere man power. This gave to the advanced section of the Labour movement the power to press successfully for higher wages, and thus incidentally to win support for their creed. In this way the improvement in the position of wage-earners during the war—due in reality to the prosaic operation of the law of supply and demand —has given a fillip to the Socialist movement, for the rank and file of trade unionists are naturally inclined to follow agitators who can point to such substantial results accruing from their agitation. These are possible explanations of the undoubted fact that the Socialist movement has grown in strength since the war and has become more powerful perhaps than any other single political force in all western countries.

Yet Socialism is of necessity the negation of liberty. This fact emerges clearly both from the professedly philosophic principles on which Socialism is based and from the concrete proposals made by Socialist writers. The philosophy of Socialism [1] rests on the assumption that society is an organism in the same sense that man is an organism, and that the individuals composing

[1] See for example a book by Mr. Ramsay MacDonald, published in 1907, *Socialism and Society*, p. 134.

society are analogous to the cells composing the human body. The essential falsity of this philosophy hardly needs demonstration. The State has no separate consciousness of its own ; its consciousness is made up, more or less clumsily, of the separate thoughts and feelings of the individuals composing the State. Nor again, so far as our knowledge goes, have the cells of the human body any separate consciousness at all. Thus the Socialist analogy doubly fails.

The logical deduction from this false analogy is that the living man—with his power to look before and after, to feel sorrow and joy, to think and to dream, to love and to hate—is of no more importance to the world than are to me the living cells which I destroy when I cut my finger nails. This deduction is frankly accepted by leading Socialist writers. Gronlund, whose *Co-operative Commonwealth* was a few years ago a popular text-book in Socialist circles, bluntly denies that the individual has any rights at all. ' As against the State even labour does not give us a particle of title to what our hands and brain provide ' (p. 85). In *Fabian Essays*, which is perhaps the most important of all middle-class contributions to Socialist propaganda in Great Britain, Mr. Sidney Webb says : ' We must abandon the self-conceit of imagining that we are independent units.' On the next page he says in effect that liberty is less important than equality.

By what means the Socialist State would enforce its will against recalcitrant individuals, or ' cells,' is very clearly set forth by Socialist writers. Under Socialism, the State, or whatever organisation represented the State, would be the sole employer, and any individual who quarrelled with that employer would be left absolutely without any means of obtaining a livelihood. This is frankly stated in *Fabian Essays* in a passage describing the progress from capitalism to Socialism :—

' At first discharge would mean being flung back into the whirlpool of competition, a fate not lightly to be challenged,

Later, as the private enterprises succumbed to the competition of the Commune, it would mean almost hopelessness of obtaining a livelihood. When social reorganisation is complete it would mean absolute starvation' (p. 166, ed. 1889.)

It would be interesting to ascertain, if the investigation were possible, how many of the trade unionists who in the year 1919 more than once threatened to strike in order to support the Socialist principle of nationalisation of industries realised that under Socialism strikers would be condemned to 'absolute starvation.' The starvation would be enforced not only by the refusal of employment, but by the refusal of food; for when the Socialist State is completely organised the State will control the distribution of food and all other commodities, as well as controlling the organisation of industry. Nor would it even be possible for an individual who had quarrelled with the sovereign State to live on the charity of his neighbours, for under the Socialist ideal, as sketched by Socialist writers, no one would have liberty even to share his own food with a starving neighbour, for that would involve the recognition of private property.

This statement may appear exaggerated to readers who are not familiar with Socialist writings; but it is fully borne out by those writings and it is illustrated in practice by the example of the one great existing organisation which is always claimed by Socialists as a standing proof of the feasibility of their principles—the army. In the army soldiers are necessarily forbidden either to sell their rations or to make a habit of giving them away. Socialist writers explicitly propose that the whole nation should be fed by the same methods as the army is fed. Mr. Blatchford in his book *Merrie England*, written at a time when he was a recognised Socialist leader, says :—

'We set up one great kitchen, one general dining-hall, and one pleasant tea-garden. Then we buy all the provisions and other things in large quantities, and we appoint certain

wives as cooks and laundresses, or as is the case with many military duties, we let the wives take the duties in turn.'

Thus in place of the present liberty enjoyed by almost every English man and woman, including even the very poor, to have their own fireside, we should all be compulsorily herded into one dining-hall and the wives would take turns at the work in the common kitchen.

It may be argued that this picture, even though drawn by a Socialist leader, is a fancy sketch and has no necessary relation to practical Socialism. The answer is that communal life, as sketched by Mr. Blatchford, is the necessary and inevitable outcome of Socialist principles. The essence of Socialism is the condemnation of private ownership of capital, but it is quite impossible to draw a line between capital and non-capital. Numberless articles now habitually possessed by private individuals for their own private use can be also used for profit-making and thus come under the Socialist condemnation of capital. A sewing-machine is an obvious illustration; spades and saws, houses and gardens, furniture and kitchen utensils, even needles and cotton, are all potential capital. A cigarette seems a fairly innocent form of private property, but cigarettes are capital to the tobacconist, and if private property in cigarettes were recognised under the Socialist régime, the non-smoker might accumulate a stock and become a shameless 'profiteer.' Even personal clothing can be used for capitalistic ends, provided it is not too worn and torn to be saleable. We are driven, in fact, to the conclusion that under Socialism the only things in which private property can be tolerated are those which are worth so little that they will fetch no price at all.

This conclusion is admitted with perfect frankness in *Fabian Essays*, where it is stated (p. 139) that 'To whatever extent private property is permitted, to that extent the private taking of rent and interest must be also permitted.' Therefore, if these two deadly sins are to be

abolished, private property must be abolished entirely; we must all be forced to live a communistic life, eating our rations in a great dining-hall or 'a pleasant tea-garden.' To permit a wife to prepare tea for her own husband in her own kitchen would put her in a position to sell tea for a profit to other misguided people who disliked the communistic tea-garden, and the nation would be heading back again to the barbarous era of capitalism.

Needless to say, the majority of wage-earners who follow Socialist leadership do not recognise for an instant that the goal at which their leaders aim is the complete destruction of the institution of private property and of all the liberties bound up with that institution. Even the leaders themselves would turn away from that goal as soon as it came well in sight; for men and women who have been reared in an atmosphere of liberty could never be persuaded to submit to the daily, hourly, grinding tyranny that communism involves.

It is true that in Russia at the present moment the communist leaders are still nominally loyal to the doctrine of communism which they have taught. But in effect they are disloyal. They have indeed established a communistic State, but they have reserved for themselves a position of supremacy with power to commandeer for their own enjoyment whatever they desire; it is the rest of the community that has to suffer the inconvenience of communism. The peasants in many parts of Russia were obviously glad of an opportunity of dividing among themselves the estates of the nobility; but they did not want any further division of property. And that is what always happens. Those who are poor will generally endorse proposals for an equal distribution of wealth so long as that process means an addition to their own possessions; at that point their approval ceases. Popular support for Socialist schemes is in fact due to motives which are the very reverse of those which Socialist theory

inculcates. The Socialist wants to destroy property in order to secure equality; but the masses of mankind if they ask for equality at all only ask for it when they see a chance of adding thereby to their own property.

One of the necessary features of the institution of private property is the right of bequest. Unless a man has liberty to leave his property to his widow or to his children, or to other persons for whom he cares, one of the principal motives for the accumulation of wealth will disappear, and the world will lose the advantage of the accumulation. Curiously enough, this advantage is habitually ignored by Socialist propagandists. They habitually write and speak as if the whole advantage of the accumulation of wealth accrued to the individual owners of large fortunes, and they further argue, or at any rate frequently suggest, that it is the existence of these large fortunes that makes the rest of the world poor.

Yet we have only to open our eyes to see how all have profited by the accumulation of wealth which is directly attributable to the recognition of private property. Every railway in the United Kingdom—except a few lines built in Ireland at the cost of the British taxpayer—has been built and equipped with the savings of private individuals. Some of these individuals may have been rich, and could, without any serious curtailment of their personal enjoyments, afford to spend money in building railways which will be of service to the whole nation for centuries to come instead of on more or less ephemeral objects of personal desire. But many of the individuals to whom the nation owes a debt for the magnificent railway system which it now possesses, were certainly not rich. During the railway mania in the middle of the nineteenth century thousands of people of very moderate means cut down their expenditure almost to the bone in order to have money to invest in railway schemes. Doubtless they were partly stimulated to these economies by the speculative chance of selling at a profit the shares

they bought. But whatever were the motives and whatever the sacrifices of the individuals who provided the capital for railway enterprises, they did forgo the pleasure of immediate private expenditure in the hope of future private gain, and in so doing they conferred an immense public boon upon the whole nation.

The same considerations account for the creation of the greater part of the comforts and facilities of modern life now available to rich and poor alike. It was the enterprise of private individuals, risking their money in the hope of future gain, that built up the gigantic mercantile marine which brings to the shores of England, at a trifling cost for carriage, the products of every part of the globe. There is not a home in England, however poor, where tea and sugar are unknown; there are few homes in which rice and sago and tapioca, coffee and cocoa, and pepper and other spices, are not constantly in use. Not only are all these things and hundreds of other articles fetched from over the sea by vessels built out of private accumulations, but the things themselves are produced in the overseas lands where they grow mainly by capitalistic firms with the aid of money supplied by private individuals. Without the aid of this private wealth, invested for the sake of private gain in undertakings of public utility, the people of England would never have obtained for use in their own homes those exotic luxuries which have become necessaries of life even to the poorest.

Nor indeed would the homes themselves have been built if private individuals had not set aside out of their own possessions money to be used for building houses for other people. They were induced to do so, in the vast majority of cases, by the motive which Socialists condemn as if it were a degradation to the human race—the hope of gain. They hoped by the capital expenditure of a thousand pounds to secure for themselves and for their children an income of, say, fifty pounds a year. That

hope in very many cases has never been realised, but it constituted the motive which led men to risk their money in building houses for others to inhabit, and the operation of that motive accounts for the existence of the vast majority of houses in Great Britain to-day. The same motive explains the building of factories and workshops, and the erection of the costly machinery with which they are filled. The whole of our industrial and commercial equipment and the greater part of all the comforts and facilities of modern life are due to the expenditure of private wealth on public service for the sake of private gain—in a word, they are due to the capitalistic system.

These achievements seem to deserve gratitude rather than abuse. But the very motives that have led to the building up of the capitalistic system, and of the enormous wealth which it has called into being for the benefit of the whole world, are now operating to inspire the Socialist attack upon that system. The sight of the prosperity of others constantly stimulates men to try to improve their own position ; but it does not follow that the method they adopt will be socially advantageous. It may be that the poorer man will argue that he can enrich himself, as some of his neighbours to his knowledge have done, by hard work and prudent spending. But to many people such a method of improving their position seems too slow and prosaic to be attractive. They prefer methods which hold out the chance of quicker returns. A successful thief or swindler can sometimes get relatively rich quite quickly, and he probably enjoys the sport of his operations. But he is an injury to the rest of mankind ; he adds nothing to the aggregate wealth of the community ; he merely transfers to himself somebody else's possessions. Moreover, so far as his operations extend they diminish the wealth-producing capacity of the nation by creating a sense of insecurity, and by compelling the maintenance of an expensive body of policemen and judicial function-

aries to keep thieves and swindlers in check. For this reason, when the rogues are caught, wise communities punish them with sufficient severity to make the profession of roguery unpopular.

Whether our laws are sufficiently severe, or sufficiently well administered, to check the subtler forms of dishonesty is doubtful. Fortunes can still be made by means of fraudulent advertisements, and a great deal of business is dishonestly carried on by means of secret commissions and other forms of bribery. It is impossible to estimate the loss which the nation suffers from the continuance of these forms of dishonest trading as well as from the crude thefts of the pickpocket and the housebreaker. To get rid of this loss we need a higher code of individual honour, as well as more stringent laws. Unfortunately the people who put themselves forward to-day as the apostles of a new heaven on earth seem to attach little importance to the virtue of common honesty, which must form the basis of any permanently healthy society. They are so eager to destroy the existing form of society that they deliberately discourage the virtues which might improve it. The Socialist has no use for men of the type of the shepherd in *As You Like It*:—

'Sir, I am a true labourer; I earn that I eat, get that I wear; owe no man hate, envy no man's happiness; glad of other men's good, content with my harm; and the greatest of my pride is to see my ewes graze and my lambs suck.'

Such a man produces wealth and peace, but he is useless as a social revolutionary. The main Socialist appeal is directed to men who are temperamentally envious of the good fortune of others, and who think that their shortest cut to prosperity is to transfer to themselves other people's property.

That the motive of self-interest alone is not a sufficient guide for human action the world has long recognised. Every religious movement from the beginning of time

has been directed to the establishment of some moral force to check the evil of mere selfishness ; every civilised State has imposed laws and penalties to prevent men grasping at their own good to the detriment of others. Both methods of restraint are still and always will be needed. The former is on the whole the more desirable, because there is less danger that it will err by excess. Where religion interferes to check economic liberty the interference is generally confined to the laying down of principles which are of obvious and universal value, such as ' Thou shalt not steal.' If that principle, *with all that it implies*, were fully observed, little more would be needed. But in practice the religious motive is not sufficient to keep the mass of mankind on the straight path. Civil compulsion and earthly penalties are also needed. These, so far as they merely enforce obvious principles of fair-play between man and man, are purely advantageous. But there is always a danger that laws may be made not to defend the general interest of the whole community but to give an unfair advantage to some influential private interest. That danger is at least as great in so-called democracies as in the most autocratic of governments. The concentrated interest of the few is generally a more powerful political force than the diffused interest of the mass of the community, and consequently parliaments in all democratic countries are constantly, on one specious plea or another, engaged in conferring economic favours upon groups of individuals at the expense of the general body of the nation.

The community can have no permanent security against injustice of this character unless the State deliberately refrains from attempting to regulate the economic life of the country and contents itself with the humbler but quite important rôle of enforcing the laws against dishonesty. The injustice which may result from the harsh use by individuals of their own limited economic power is insignificant in comparison with that which may and

does occur when the unlimited power of the State is employed to force upon the community a course suggested by a mere handful of persons for their purely private advantage. That is why economic liberty should ever be the rule of national policy.

CHAPTER II

THE ETHICS OF PROPERTY[1]

'The sages declare a field to belong to him who first cleared away the timber, and a deer to him who first wounded it.'

THE above dictum, enunciated in the laws of Manu some five centuries before Christ, is as good an explanation as any one need seek of the origin and ultimate justification of private property. In its essence the institution of property is a device for enabling a man to enjoy the fruits of his own labour. That essential purpose may be so overlaid with subsequent developments that it may cease to be discernible in particular instances, and hence we have the paradox that property is to-day attacked on the ground that it destroys the very purpose for which it exists. 'La propriété c'est le vol,' said Proudhon, and a good many Socialists since his day and before it have expressed the same conception less epigrammatically. It is indeed part of the stock-in-trade of Socialist orators that property—or at any rate property in the means of production and distribution—deprives the worker of the results of his industry. Ignoring the service rendered to production by the owners of capital, Socialists claim that the whole product belongs to the labourer. Though this claim cannot be substantiated, the fact that it is put forward shows that even the critics of the institution of property recognise that a man does want to own the thing he has produced or its equivalent in value—wants, in fact, to claim that thing, or the value of it, as his property. Therefore, so far as this elementary conception of property is concerned, argument is thrown

[1] This chapter was originally published in the *Guardian* in 1913.

away. The desire for ownership in this elementary form is a primary human instinct, which must be accepted as we accept the fact that man needs air to breathe and food to eat.

The difficulties begin when we advance a stage further. It must be noted that nobody ever wants to claim property in things which exist in more than ample abundance. There is no property in air or in sea-water. In the same way, where suitable land is plentiful and population scarce, there may be no property in land. It is useless to go to the expense of marking off fields when there is ample pasture for everybody's stock. But when tillage begins and a man plants a crop, he expects to retain a proprietary right over the field he has tilled, at least until his crop is harvested. If, moreover, the trouble of preparing the ground is very considerable—for example, clearing away timber or undergrowth—the worker will calculate on receiving more than one year's crop in return for his labour, and will claim a more permanent property in the land. He may even go so far as to say that he would like to hand on the results of his toil to his own son rather than to a stranger; and as all his neighbours probably are feeling much the same way themselves, his right to do so will be admitted. Thus, by a perfectly natural process, property in land—the primary means of production—becomes established, and the right to transmit the property to an heir becomes recognised.

As long as there is enough land to go round nobody objects, for everybody's interest is served by the arrangement. But when the local population outstrips the local supply of land discontent arises. The children of the man who has accumulated little look with sour eyes upon the children of the man who has accumulated much, and from time to time a claim for a fresh partition is made. In an interesting essay on landed property in Russia and Siberia Mr. Jan St. Lewinski has shown how the pressure of population led to the formation of the village com-

munity. Individual property in land precedes, he asserts, communal property; the latter arises when the growth of population has overtaken the available supply of land. But what follows? In order to equalise fortunes the community insists on periodic redistribution of all the agricultural land included within the territory of the village. To prevent favouritism and to secure equal chances for all, the distribution is by lot, with the result that a man who has worked hard at his plot and brought it into good heart may, in the following year, succeed to a plot foul with weeds. Under such conditions progressive agriculture becomes impossible, and though all may be equal, or nearly so, it is the equality of common poverty. After a time the folly of such a method of living and working becomes universally apparent, and the Russian Government before the war was busily engaged in enabling the peasants to escape from the squalor of the village community, and to establish themselves on farms of their own.

This Russian example of the vicissitudes of property in land is illustrative of the changes to which the world's opinion is liable with regard to property in general. Under a primitive organisation of society the value of property as a stimulus to exertion is apparent to every one, and nobody challenges an institution which is so obviously beneficial to all. But when the institution of property has produced its intended effect by stimulating production and adding to the wealth of the world, then complaints begin. For though the right of private ownership increases wealth for all, it increases it more for some than for others. In all settled communities there is a Lazarus and a Dives, and, though often a direct connection can be traced between wealth and merit, that is certainly not universally the case. A man may grow rich by a lucky chance, or may become poor through the accident of illness or through the break-up of an industrial organisation in which he had found a useful niche. The inequalities

are aggravated by the facts of inheritance. The son of a hard-working father may be an idler and a wastrel, but he will be able to live in luxury while men who are far better citizens than himself are working long hours to earn a meagre living. Our innate sense of justice is outraged by such a contrast, and it is not surprising that many people, fixing their eyes only on the surface of things, should come to the conclusion that an institution which permits such inequalities is a curse.

There are two fundamental errors in this view. First, the assumption that inequality is in itself an evil; and, secondly, forgetfulness of the services which the institution of property has rendered, and daily renders, even to those whose possessions are extremely limited. Inequality is not an evil—it is a necessary condition of life, a stimulus to exertion, and a cause of progress. To reduce all men to a dead level of equality, if it were physically possible, would deprive life of most of its savour, and would involve hopeless mental stagnation.

To pass to the second point, it is difficult to overestimate the value of the services which property has rendered to poor as well as to rich. Without property the progress of mankind from savagery to civilisation would have been impossible. Take as a simple test the question of commerce. Without commerce man would for ever have remained a naked savage, feeding himself as best he could on what he could kill with his own hands or grub from the soil with his own fingers. Commerce enabled him to enlarge his capacities, and to expand his life by exchanging his products, first with his neighbours, and later on with all his fellow-beings in the remotest parts of the earth. Of all the causes of human progress none has been more important than commerce; but commerce of any kind presupposes property, for people can only exchange the things they own. In the same way the institution of property accounts for the conversion of the marshes and forests of our little island into rich agri-

cultural land ; it accounts for the great industrial developments of more recent days, which have added so immensely to man's power of wealth production. Moreover, it must be noted that the progress achieved in all these cases is largely due to the fact that the recognition of the right to private property has throughout the world implied the recognition also of the right of inheritance. The old saying, 'Who plants pears plants for his heirs,' is true in a double sense, for unless the heirs were to be allowed to profit the pears would not be planted. In the same way it is a man's desire to make provision for his children which leads him to invest his money in building railways for other people to use for many generations, instead of spending all he has on his own immediate pleasures.

We cannot, therefore, get rid of the institution of property, including the right of inheritance, without first doing violence to man's natural instincts, and, secondly, destroying the main cause of the material progress of the world. A further result of the abolition of property would be the destruction of liberty. The only alternative to a society in which property is recognised is a society organised on strictly communal lines, in which each member of the community performs some allotted task and receives in return some prescribed ration of food and permission to use communal clothing and communal house-room. Such complete submergence of the individual in the community may be tolerated by bees or by beavers ; men will ever revolt against it. Men, because they are men and not mere animals, must have, within wide limits, liberty to make the best of themselves in their own way, even if they sometimes abuse it.

Finally, it must be added that among the most important of the liberties which the institution of property secures is the liberty to help one's neighbour ; and if this liberty were used with a little more generosity and with much more thought there would be less foolish rant about the crime of ownership.

CHAPTER III

THE ETHICS OF SOCIALISM[1]

ONE of the humours of the controversy that has arisen out of current demands for the nationalisation of industry is the pretence of the Socialists that they have a higher ethical standard than the rest of mankind. This pretence is put forward with so much complacent dogmatism that it tends to be accepted as a reality even by people who in the main are opposed to the Socialist creed. When, for example, any mere individualist points out that certain Socialist proposals are unworkable because of the facts of human nature, writers in the Press mournfully argue as if the error of the Socialist lay in attributing to poor weak human nature higher possibilities of altruistic endeavour than it is capable of attaining.

If that were the only error there would be at least a conceivable possibility of so modifying socialistic schemes as to allow for this over-estimate of human possibilities. The real fault of the Socialist on the ethical side is entirely different. His real fault is this, that while he constantly pretends to believe that the ideal of public service will suffice to move and direct the industrial activities of the world, his actual propaganda among the masses is based on the crudest appeals to personal selfishness and class jealousy. That is to say, the Socialist begins by reversing what for want of a more precise word may be called the religious method of progress. Christianity, like all the great religions of the world, teaches that the kingdom of

[1] This chapter is reproduced with minor alterations from the *Edinburgh Review* for July 1919.

heaven on earth can only be attained by the individual observance of the primary social virtues embodied in such maxims as : 'Do unto others as ye would that they should do unto you'; 'Thou shalt not steal'; 'Thou shalt not covet.' The Socialist teaches that the way to the new earthly heaven which he promises lies through class warfare leading to the complete destruction of the existing social order. In order to stimulate the necessary spirit of hatred he emphasises the contrast between rich and poor, thus deliberately holding up the motive of envy as a spiritual ideal. In addition he teaches, regardless of facts, that the differences between rich and poor are solely due to the robbery of the poor by the rich, and that consequently wage-earners—even including those who themselves might well be called rich—are justified in adopting methods of dealing with their employers, which are in essence theft. Nor is even that the limit of the ethical idealism of the actual Socialist. Resolved at all costs to destroy, if it be possible, what he calls capitalism, he gives his approval even to murderers, if they profess to be acting on behalf of Socialism.

These statements will presently be illustrated and justified. The truth that lies behind them should alone give pause to easygoing sentimentalists, who complacently assume that the only obstacle in the way of Socialism lies in the weakness of human nature. Average human nature is a mixture of good and bad, and by appealing to the good and penalising the bad it is possible to secure a considerable raising of the average level. But the Socialist is not out to raise human nature ; he is out to destroy capitalism, and for that end he encourages or condones conduct which the world has hitherto condemned as criminal.

It may be argued that these Socialist methods of propaganda are only a temporary expedient : that when the glorious day of the social revolution arrives the men who have been taught to lie and to steal and to kill—*ad*

majorem Marxi gloriam—will suddenly lay aside their weapons and their hatreds, and will walk through life holding out the hand of brotherly love to all humanity. In any circumstances such a sudden change of heart is improbable. Men who have been stirred to treacherous or cruel action by persistent appeals to the spirit of envy and the passion of hate are not likely suddenly to change their whole moral attitude. But even if such a change of heart were likely to follow the mere hoisting of the Red Flag in place of the Union Jack or the Tricolour, the conditions which the Socialists propose to establish would themselves discourage the very motives which are essential to the success of Socialism. Briefly, the interest of the community is advanced when any given individual produces much and consumes little, because there is then more to divide among the rest. Under the system of private ownership many individuals are stimulated so to act by the hope of thus making comfortable provision for their old age or for their children; under the system of public ownership no such stimulus will exist. The State being responsible for the maintenance of all, nobody will have any private stimulus to work strenuously or to consume sparingly; the personal interest of each will be to get the maximum for himself out of the common pool, and to put the minimum into it. Thus not only do the Socialists carry on their propaganda by an appeal to the lower motives, but the system which they propose to establish provides no stimulus to the encouragement of the higher motives.

As regards the former of these propositions, overwhelming evidence is to be found in the publications of the Socialist party, and in the speeches of men like Mr. Smillie. Take first the appeal to envy. In effect, the Socialist reverses the tenth commandment and glorifies covetousness as a mainspring of action. Socialist literature and Socialist speeches are packed with references to high dividends or big fortunes. The examples

given are not always justifiable even from the point of view from which they are quoted. A large dividend in one selected year may represent a very poor average return on the capital invested in a speculative business. This, however, is a side issue. The real point is that the prosperity of other people is held up as a mark for envy. The lesson which the Socialist wishes to teach is driven home by arguments such as those which are implied in the following verse taken from the I.L.P. Song-Book. The author is Mr. Bruce Glasier, a well-known Scottish Socialist :—

'They live in splendid mansions,
And we in hovels vile;
Their lives are spent in pleasure,
And ours in cheerless toil;
They jaunt about the world, while we
Are pinned down to one spot;
But we'll turn things upside down, we will!
It's time, lads, is it not?'

No doubt this appeal to envy is politically profitable, for the spirit of envy, like most of the baser human instincts, is fairly widespread. But it is impossible to discover any trace of high social idealism in an appeal to individuals to turn things upside down in the hope of bettering themselves. The passions inspired by such an appeal may prepare the way for the revolution which is the Socialist's goal; they will inspire men to plunder, to burn, and to slay, but they are impossible as a foundation for a peaceful human society.

Another illuminating example of the ethical side of Socialism is furnished by a little magazine called *The Red Dawn*, published in Glasgow by the 'Proletarian School.' This 'magazine for young workers' contained in its issue for May 1919, for the benefit of its youthful readers, an article called 'An Unconventional Journey,' in which a Scottish Socialist describes how he and a friend evaded the payment of their fares on a New South Wales State

railway by hiding themselves in a goods truck. To satisfy their thirst and hunger they broke open a barrel of beer and a case of cheese. They were caught after they had travelled several hundred miles, and were sentenced to a nominal punishment for 'riding on the State railways without paying the fare.' They escaped punishment for the theft of the beer and cheese, of which the writer boasts, because the police had no way of proving that they were the thieves.

Nor do the Socialists shrink from the extreme logic of their own methods of propaganda. That they welcome the prospect of a bloody revolution is clear from the sympathy they express with the Bolsheviks of Russia and their failure to condemn those atrocities for which the Bolsheviks are without question responsible. Neither the past tyranny of the Tsars nor the present social chaos can excuse such cruelties as those described in *A Collection of Reports on Bolshevism in Russia*, published by the Foreign Office in the spring of 1919. One extract will here suffice. It is from a report furnished to the Foreign Office by a British chaplain :—

'For three days before the Austrians marched into Odessa the Bolsheviks had divers at work from the Imperial yacht *Almas* and the cruiser *Sinope*, dragging the harbour for the weighted bodies of the murdered officers, of whom about 400 had been done to death, the majority after torture with boiling steam, followed by exposure to currents of freezing air. Others were burnt alive, bound to planks which were slowly pushed into the furnaces, a few inches at a time. In this way perished General Chourmakof and many others of my acquaintance. The bodies, now recovered from the water, were destroyed in the ships' furnaces that no evidence might remain to be brought before the Austro-Germans.'

British Socialists dare not condemn these atrocities because they do not wish to discredit the Bolshevik revolution and thus to throw doubt upon their own revolutionary ideals.

Happily up to the present the Socialists of Great Britain have not gone to the length of advocating murder and torture, but they openly advocate systematic theft. According to the written statement of the general manager of the United Collieries, Ltd., which was read to the Coal Commission on 14th June, Mr. Duncan Graham, Labour M.P. for the Hamilton Division, addressing a meeting at Larkhall on 1st June 1919, advised his hearers 'not to exert themselves but to do as little as possible, and to see that they got as much money as possible for it.' He went on to say that his reason for giving this advice was that 'there was no reason for Labour to be honest when the other side was so dishonest.' The excuse involves the admission that the speaker was consciously advocating dishonesty; and except for that purpose it is valueless. Social life would be impossible if every man who thought he was robbed proceeded to rob in return; we should quickly get back to the ethics of wild beasts.

It may be admitted that in certain circumstances a palliative excuse can be found for the policy of ca' canny. When a group of men working on a piece rate have reason to suspect that if they exert themselves to earn good money the rate will be cut against them, they cannot be altogether blamed for going slow. They are not, by so doing, robbing their employer any more than they are robbing themselves; they lose the higher wage which they could earn, and he loses the higher return which he might get on his fixed capital; both suffer from the atmosphere of mutual mistrust, for which both sides are blameable in varying proportions. But in the case of the coal miners this palliative excuse does not arise. There is here no question of variable piece rates. Miners' wages at the present time are fixed by authority, and the miner knows that there is no chance of his losing anything by exerting himself more. He also knows that the nation urgently needs coal, and if Socialists in practice had the slightest regard for their professed 'ideal of public

service' they would urge the miner to do his utmost within the limits of his strength. They do not do so because the main object of their policy is to produce a social revolution, and they argue that one means to that end is to render the private control of industry impossible by destroying the employer's profits.

All this has been frankly expounded by various groups of Socialists for years past. *The Miners' Next Step*, published at Tonypandy in 1912, advocates as an instrument in the class warfare what is called the 'Irritation Strike.' The men stay nominally at work so as to keep their names on the paysheet, but do as little work as possible. The argument is set out as follows :—

'The employer is vulnerable only in one place, his profits! Therefore if the men wish to bring effective pressure to bear, they must use methods which tend to reduce profits. One way of doing this is to decrease production, while continuing at work.'

That is to say, the workman is deliberately to do less work for his wages than was implied in the bargain he made when he agreed to accept those wages. In plain language that is stealing, and there is abundant evidence that this form of stealing is constantly advocated by Socialists in Great Britain. The French Socialists go a step further. With their national love for carrying a proposition to its logical conclusion, they rightly argue that if the end to be attained is the destruction of the employer's profit, it is quite as legitimate to seek that end by active mischief in the workshop as by passive idleness. They have, therefore, elaborated various active forms of sabotage, such as putting sand in machines and packing goods so that they will break in transit. These are the practical workings of what certain sentimentalists in Parliament and the Press call Socialist 'idealism.'

It is true that all Socialists do not approve the policy of active sabotage or even of passive idleness. For example,

Mr. and Mrs. Sidney Webb, in a pamphlet on Syndicalism published in 1912, strongly criticised the whole policy of ca' canny, declaring that 'the adoption on a large scale of a persistent policy of ca' canny, let alone the more unscrupulous French varieties of sabotage, means, we are convinced, a serious deterioration of moral character in those who consent to take part in it.' That is a sufficiently emphatic verbal condemnation of a mischievous and immoral practice; but the value of such condemnation is discounted by the fact that all the Socialist parties, including the Webbian or Fabian Socialists, are responsible for the economic teaching which in the minds of their wage-earning followers furnishes a moral justification for the policy of ca' canny. All the Socialists, including the Fabians, have taught and continue to teach that the wealth which the 'worker' produces is stolen from him by the capitalist. The proposition is most crudely stated by Karl Marx, who is the original source of the economic fictions upon which modern Socialism is based. These fictions are being taught to-day all over the kingdom by various sections of the Socialist Party.

Take, for example, a twopenny pamphlet, published in May 1918 by the Plebs League (Glasgow branch), to celebrate the centenary of the birth of Karl Marx. After giving a biographical account of Marx—in the course of which it is recorded, without comment, that in 1868 the economic position of Marx was bettered by the receipt of legacies on his mother's death—this pamphlet roundly declares that 'there is no real Socialism but that of Marx.' The Marxian doctrine is then expounded :—

'What then is the measure of value and of exchange value? Karl Marx answers the question by stripping away and putting out of sight the useful qualities of commodities. No standard can be found by which to measure quality, but a standard is needed in order that we may measure the varying value of the different things. When the usefulness and the quality of a commodity is laid aside, there then remains but common

property left, and all commodities possess this common property. This common property is that all commodities, no matter how they vary and differ in usefulness and quality, are all the products of human labour-power. They are all the result of expended labour; it is this labour that forms the substance of value. In fact, embodied labour is value.'

It seems almost inconceivable that statements so palpably at variance with everyday facts should be persistently taught by numerous active organisations all over the kingdom, and should be accepted as an inspired gospel by thousands of people. One might have imagined that even in the least thoughtful audience some listener would arise to point out that if the useful qualities are stripped away from a thing it has no value, however much labour may have been put into it. For example, under the intelligent direction of industry organised by the government officials of the United Kingdom, large numbers of persons were, after the Armistice, employed in making airplanes, for which there was no military demand. As fast as the planes were completed they were sent to government factories, where more people were employed in breaking them to pieces. According to the Marxian theory the broken fragments of these machines would have more value than the machines themselves in full-going order, because of the labour expended upon the work of destruction. Yet not only is this Marxian doctrine taught from public platforms to popular audiences, but much money is spent by various trade unions in promoting the systematic and reverential study of Marx in Labour colleges. The Glasgow pamphlet continues :—

'There is no other theory that explains correctly the determination of value except the Marxian one. The Marxian theory of value is very important to the workers, for from that theory flows the theory of surplus value, the crowning point of Marxian economics. . . .

'Say that the worker receives in wages £2 per week for 48 hours' labour, and let us suppose that the things he makes

realise on the market £8. Then we have a difference of £6 between the value of the worker's labour-power and the value of the things he has produced. This £6 the kind capitalist pockets as if he had a right to it. From whence comes this £6, this surplus? . . .

'All the value represented by the £8 was created by the worker, but under the conditions of wage-slavery the worker is forced to give the hours of surplus value to the capitalist. This surplus value appropriated by the capitalist comprises rent, interest, and profit.'

There in brief is the Marxian doctrine—or to use a more appropriate word, the Marxian madness. Before commenting on the essential economic fallacy underlying the whole proposition it is worth while to note the dishonesty involved in the selection of the figures. The difference between the £2 and the £8 is not intended to represent realities, but to create prejudice. It would be difficult, if not impossible, to find any modern industry in which the payment to labour represents only one quarter of the selling price of the product. In the railway industry, though the proportion of fixed capital there involved is exceptionally high, labour certainly receives and long has received considerably more than half the revenue earned. In the year 1913 the total receipts of all the railways of the United Kingdom from railway working were £124,750,000, and the total expenditure on railway working, after deducting rates and taxes, compensation for accidents and 'other' items, was £68,672,000. Practically the whole of this expenditure represents payment for labour in one form or another, so that even on the railways, with their vast fixed capital, labour received in 1913 not 25 per cent. but 55 per cent. of the total proceeds. In the same year the net income of the railway undertakings of the United Kingdom was £52,011,000. This was the outside limit of the sum available for distribution among the representatives of the persons who out of their savings paid for the embankments, the

bridges, the permanent way, the rolling stock, the stations, the signal boxes, and all the rest of the fixed plant at a cost of £1,144,000,000 in hard cash.[1]

In the coal industry the proportion going to labour is greater than in the case of railways, because the fixed capital, though still large, is proportionately less. The following figures were given by Sir Auckland Geddes in the House of Commons on July 14, 1919 :—

Average Selling Price per Ton at the Pit, 1913.	s.	d.
Labour	6	10½
Timber and stores	1	1
Other costs	1	0
Royalties	0	6
Coal owners' profits	1	6½
	11	0

Average Selling Price per Ton at the Pit, on July 17, 1919.	s.	d.
Labour	21	10¾
Timber and stores	3	7
Other costs	1	4¼
Royalties	0	7½
Coal owners' profits	1	3½
Compensation on mines not otherwise worked	0	3¼
Coal control	0	1
Margin for emergencies	0	1¼
	29	2½

The items 'Timber and stores' and 'Other costs' necessarily consist mainly of payments to labour in one form or another. Assuming labour to account for two-thirds of the total of these items it will be seen that altogether labour received about 75 per cent. of the selling price in 1913 and about 86 per cent. in July 1919.

The dishonest exaggeration involved in the Marxian suggestion that labour only gets 25 per cent. of the selling price is, however, a matter of small importance in com-

[1] The assumption so constantly made by Socialists that all interest on capital is pocketed by a few millionaires has no basis in fact. As a particular example of how widely the ownership of capital is distributed, Sir Hugh Bell, director of the North-Eastern Railway Company, informs me that the number of shareholders in that Company happens to be almost exactly the same as the number of employees.

parison with the fundamental economic falsehood contained in the proposition that all the value is created by the worker. It ought to be sufficiently obvious, even to the least reflective mind, that when a labourer ploughs a field part of the value produced is attributable to the plough and to the team, and is therefore morally due to the persons who supply the plough and the team; and that when a mechanic forges a rail by operating the levers of a steam hammer, part of the value produced is due to the hammer which the 'worker' neither invented nor paid for.

Needless to say, these or similar considerations are obvious to the intellectual Socialists. Among themselves they have always laughed at the Marxian doctrine, but they know the immense value it has for purposes of revolutionary propaganda, and therefore, though the Labour movement looks to them for intellectual leadership, they make no effort to prevent the widespread dissemination of propositions which they know to be false.

This is typical of the ethical side of Socialism. The Socialist begins by persuading himself that the one thing needed for the betterment of the lot of mankind is a social revolution which shall sweep away what he calls capitalism; he then proceeds to encourage every form of propaganda which is likely to stir the mob to revolution. To that end he deliberately distorts not only economic but historic facts. One of the commonest statements in Socialist leaflets and in Socialist speeches is that all the poverty to be found in the world to-day is due to capitalism. Again and again the suggestion is made that there was some golden age in the past when capital was unknown, and when the working man, unrobbed by the capitalist, was able to enjoy all the fruits of his own labour and to live in peace and contentment. So far as England is concerned the only basis for this delusion is the fact that when a more than usually disastrous plague—such as the

Black Death—had swept over the country, the serfs were able to enjoy a better time than before because the population had been temporarily reduced below the then available means of subsistence. But the broad fact is indisputable that the growth of capital has been accompanied by an immense improvement in the standard of comfort of the whole population. Indeed, the most outstanding economic phenomenon of the present day is the existence, throughout the western world, of an enormous population which is able to enjoy a very comfortable existence with many opportunities for relaxation from work and for the pursuit of pleasure. The existence of this vast well-to-do population would have been impossible but for the manner in which the accumulation of capital has added to the world's power of producing wealth. It is, of course, true that all persons are not equally well-to-do, and that much hard poverty still remains; but these facts do not even begin to justify the constant assertion by the Socialists that the contrast between rich and poor is a modern phenomenon due to capitalism. The parable of Lazarus and Dives must be fairly familiar even to Socialist orators; but there was very little capital in the world when that story was first told.

The zeal of the Socialists to prove that capitalism is the one and only enemy of mankind sometimes leads to humorous conclusions. For example, the author of *The Socialism of Karl Marx* writes: 'When men lived by hunting and fishing they lived in tribal communism; private property was unknown; they shared food and danger alike; and all stood as equal blood brothers, bound by kinship in one gens or social-unit. With surplus wealth sprang up social classes. . . . Also, prisoners taken in battle were no longer slain and eaten, but kept as slaves to labour for their captors.' So that the curse of capitalism is finally to be traced to the abandonment by our misguided ancestors of the good old custom of eating their prisoners of war.

The simple truth is that though the rich have grown richer and more numerous with the aid of capital, the poor have grown richer too. Even the least-skilled manual labourer obtains an appreciable share of the extra wealth created by capitalism. He is better off than his father was, not because he works harder but because his puny efforts are supplemented by an increased volume of capital, which he did not save, and an improved organisation of industry, which he did not plan. This truth is apparent to every one who looks around, but the Socialist would spoil his propaganda if he were for a moment to admit it; and therefore he continues to disseminate the Marxian falsehood that the development of capital means the progressive impoverishment of labour.

A professed idealism based on a wilful misrepresentation of facts does not seem likely to be of much practical use to the world. It is therefore not surprising to find that the Socialist, in the actual proposals which he puts forward, ignores the ideals which he professes. On no point are Socialists more eloquent than on the beauty of the ideal of public service. Under Socialism the desire to render public service will take the place of the vulgar individualistic pursuit of gain; all labour troubles will spontaneously cease, and every man will give his best service for the common good. That is the tale; what is the reality? *The experience of every country is that men in all classes of life, with hardly an exception, give worse service when employed by the State than when working for a private employer.* The reasons to explain this universal fact are not far to seek. In the first place, the employee of the State has no fear of dismissal if he is idle or inefficient, and very little hope of promotion if he is active and enterprising. Consequently the selfish motives in man which stimulate energy under the capitalistic system cease to operate under the socialistic system. In the second place, the unselfish motives, on which the Socialist professes to rely, fail even more completely. Theoretically men

ought to be eager to do better work and to be content with lower pay when working for the community than when working for a private employer. In practice they are not. In practice the altruistic instincts in man are not called forth by the appeal of a vague entity like the State to the same extent that they are called forth by human sympathy with an individual employer. Men who would hesitate to cheat a private employer think it no shame to rob the State to the utmost of their opportunities, the reason being that they regard the State as a gigantic impersonal abstraction, with no capacity to feel injuries and endless capacity to meet losses. Again and again during the war men working on government contracts have gone to their employers and asked for a rise in wages on the openly stated ground that the extra wage would not hurt the employer because he could recover it from the government. Thus in practice the altruistic spirit of service which exists in varying degrees in all decent men is less to be relied upon under public than under private employment. There is consequently under State management no counter-balancing altruistic force to make good the loss of those selfish motives which, under private management, compel the individual while pursuing his own gain to work also for the common good.

If further proof be needed of the complete failure of Socialism to call forth the altruistic spirit of service, we have only to note the fact that during the war, when the life of the nation depended on a plentiful supply of coal and on the continuous running of the railways, the miners and the railwaymen repeatedly threatened to strike in order to enforce against the State demands far in excess of anything they had put forward when working for private capitalists. On the plea that the cost of living had risen they exhorted for themselves additional payments, which put them in a far better position than large numbers of their fellow-citizens, whose cost of living they were still further increasing by their selfish action. It

is significant of the real ethics of Socialism that on no occasion have the intellectual leaders of the Socialist Party denounced in the terms it deserved this shameless plunder of the State.

Nor is the position bettered when State Socialism has been established for a considerable period so as to permit the alleged higher morality of the Socialists to come into operation. Australia and New Zealand have long possessed State railways and also possess many State mines; but the evidence of Sir Charles Wade and Mr. F. M. B. Fisher before the Coal Commission showed that strikes are frequent among these employees of the State. Yet if State organisation of industry has any merit at all it ought at least to be able to prevent strikes. No theory of public service can possibly justify men who are engaged on work of public necessity in agreeing together to cease work simultaneously, to the grave injury of the community. Even in an individualistic community strikes in such cases ought to be treated as criminal; all the more ought they to be so treated when the strikers have not even the excuse that their action is primarily directed against a 'profiteering' employer. Yet the Socialists are always found on the side of the strikers, even when the strike is against the State.

That this attitude of the Socialists is no mere accident is proved by the report signed by the six Socialists who sat on the Coal Industry Commission. Mr. Justice Sankey, in recommending nationalisation of the mines—for the sole purpose, as he explained, of pacifying the miners—was careful to stipulate that the miners, when they became the employees of the State, must forgo the right to strike until the question in dispute had been heard by a tribunal which he proposed to set up for the purpose. Apparently if the decision of the tribunal was not satisfactory to the miners they were then to be free to hold the nation to ransom. But the significant fact is that even the partial safeguard against lightning strikes

which Mr. Justice Sankey proposed was rejected by the six Socialists who dominated the Commission over which he formally presided. In their separate report they bluntly refused to accept this part of his scheme, though he had shown the importance he attached to it by repeating it in three separate clauses. A better illustration of the dishonesty which underlies the Socialist pretence of public service need not be sought.

That Socialists should thus cynically ignore the public interest, which they profess to regard as their peculiar care, is ultimately due to the fact that the real ethics of Socialism are the ethics of war. What the Socialists want is not progress in the world as we know it, but destruction of that world as a prelude to the creation of a new world of their own imagining. In order to win that end they have to seek the support of every force that makes for disorder, and to appeal to every motive that stimulates class hatred. As stated at the beginning of this chapter, their ethical outlook is the direct reverse of that which has inspired all the great religions of the world. Instead of seeking to attain peace upon earth and goodwill among men, they have chosen for their goal universal warfare, and they deliberately make their appeal to the passions of envy, hatred, and malice.

CHAPTER IV

CLASS WARFARE

THE fanciful division of the human race into two classes, one consisting of workers and the other of owners, is part of the Socialist orator's stock-in-trade. The justification for it is purely superficial. The workpeople employed in a factory have, undoubtedly, up to a certain point, divergent interests from those of the owner of the factory, and the same is true of mine and workshop and shipyard. But how about the salaried manager of a mill, who has the power of dismissing the workers, but can himself be dismissed by the owners: is he owner or worker? And how about the vast and steadily growing multitude of professional men and women—barristers, doctors, journalists, actors and musicians, architects, accountants, surveyors, engineers, hospital nurses, bank clerks, school teachers, parsons and other ministers of religion; to which army do they belong? A prominent K.C. may earn in a day more than a factory hand will earn in a year, but he has to earn it. His fees do not come to him because of his property, but because of his industry; and it may be if he has spent foolishly, as some learned lawyers do, that he owes more than he possesses, so that his property is a minus quantity. In what sense can such a man be called an 'owner'?

On the other hand, there are many factory operatives with considerable sums invested in mills or in house property. They are owners in the strictest sense of the term. Yet according to the Socialists the most important thing they can do for their own benefit is to enter upon a

campaign for the confiscation of their own property. As a matter of fact, every working-man is normally the owner of some property—his tools, his clothes, his furniture: while in addition he is a part owner of the vast accumulations of property possessed by friendly societies, co-operative societies, and trade unions. On the other hand, the large majority of the middle and upper classes are engaged in active work, and generally derive the bulk of their incomes from their industry.

Thus the pretended distinction between owners and workers, which is the basis of the Socialist class war, breaks down directly the facts of our social life are examined. With the exception of a comparatively small number of idle rich people, every member of the community is both a worker and an owner—unless he happens to be an old-age pensioner or a bankrupt.

So much for the first assumption on which the Socialists found their campaign. Their next assumption that the manual worker is ' robbed ' by the capitalist is even more completely untrue. Let us take the simple case of a man ploughing the field. The maximum remuneration to which he could be entitled is the value of the crop produced: for if he were to be paid more than this, he would be receiving from the community more than his work yielded, and would consequently be a burden upon his fellow-men. Clearly, therefore, it is to his interest to increase as much as possible the efficiency of his work by using a good plough with a powerful team, and by working upon a well-drained and well-fenced field; and it is worth his while to pay something to the persons who drained and fenced the field and to the persons who lend the plough and the team. How much he ought to pay for these advantages is a question of debate, but to say, as the Socialists do, that he is robbed if he pays anything at all is obviously ridiculous.

Nor is there any robbery, if instead of undertaking the responsibility of paying for the previous work done upon

the land in the shape of draining and fencing and paying for the use of the plough and team, and at the same time running the risk of a bad crop—or a bad sale for a good crop—he places himself in the hands of a capitalist, who meets all expenses and takes all risks, and pays him an agreed sum for his day's labour. The agreed sum may be too low, but to say, as the Socialists do, that the capitalist is entitled to nothing and the ploughman to everything is palpably false.

Nor is it even true that the capitalist organisation of industry tends to depress the earnings of manual workers. On the contrary, it tends to raise them. It is the old story of the division of labour. A man skilled with his hands may not have had the opportunity of accumulating capital, and may not have the faculty of directing even his own labour. Notoriously many men work far better under a master or leader than they work by themselves. They produce more with less effort, because their muscular strength or manual dexterity is supplemented by the brain power of the organiser and superintendent of their work. And when we pass from a comparatively simple form of industrial organisation, such as an ordinary English farm, to such complicated organisations as a great colliery or steelworks or cotton factory, the advantage secured by ample capital and good superintendence becomes even more apparent. The individual workman could not even begin to get coal out of seams several hundred feet beneath the surface : he could not produce steel except in the tiniest quantities, and the cotton he could spin by hand is a minute fraction of the output per man in a modern spinning mill.

That is why all over the world the isolated hand labourer is beaten by labourers no more skilled than himself, but working under skilled superintendence and using large quantities of capital in the form of buildings and machinery.

The Socialists allege that the whole advantage of this

change in the form of industry is appropriated by the capitalist. That is untrue. Factory workers earn considerably more than hand workers engaged upon similar work, while at the same time the price of the article produced has been in many classes lowered immensely for the benefit of the general body of consumers who are themselves working men and women. In other words, part of the benefit of the increased production rendered possible by the use of capital and by the capitalistic organisation of industry goes to the working-man as a producer in the shape of higher earnings, part goes to him as a consumer in the shape of lower prices for the commodities he purchases, and part remains with the men who lend the capital and organise the industry. If nothing were given to the capitalist and to the organiser, it is certain that private individuals—many of them manual workers—would refuse to accumulate capital. They would spend instead every penny upon personal indulgence. In the same way, if the skilled organiser were to receive no recompense for his success in organisation, he would, in the majority of cases, cease to exert himself. In both events the whole community would suffer.

These propositions are sometimes admitted by the more moderate Socialists, who will in their candid moods go so far as to acknowledge that the general condition of the working-classes has been greatly improved under capitalism. But they argue that capitalism has now played its part in the development of the world's history, and that the time has come for it to move off the stage and make room for a better organisation. That is an arguable proposition, but it has nothing whatever to do with the rhetorical absurdities which are employed so freely to win converts to the Socialist Party. Whether the share of the capitalist is, or is not, excessive is an altogether different question, and men and women who have to work hard for very little pay may be excused for

thinking that they are being defrauded of what is fairly due to them. They see from time to time balance-sheets published showing handsome dividends paid to shareholders, and they see in the districts where well-to-do people congregate every evidence of ample means. They put the two facts together, and they say with excusable bitterness that capital gets too big a share. Before accepting that conclusion, it is important to note that the two facts on which it is based are not necessarily connected.

A large number of the well-to-do people in England are not primarily capitalists at all. They are prosperous professional men. In addition, there are living in England an enormous number of well-to-do persons whose incomes are derived not from the profits of home industries, but from investments abroad. Their presence accounts for thousands of the comfortable houses in the West End of London, in the Home Counties, and in residential towns like Bournemouth, Bath, and Malvern. In a word, it is not true that all, or nearly all, the wealth we see around us is due to the profits made by British capitalists out of British industries. At the same time it is indisputable that a good many undertakings do yield very handsome, and even princely, incomes to their fortunate owners, and it is also true that in some cases these owners have done little or nothing to earn their good fortune.

These are facts which Socialists are free to make the best of, but they do not in the least prove that the capitalists as a body obtain an excessive share of the wealth which capital and labour jointly produce. Against these undeserved good fortunes have to be set equally undeserved losses. Every year millions of pounds are invested which never bring any profit to the investor, but which bring wages to the workpeople employed and useful commodities to the general community. These investments would not be made at all unless the investor were stimulated by the hope of gain, and the best way to

stimulate capitalists to run a considerable risk is to dangle before their eyes the prospect of a very big gain. From this point of view it is a real advantage to the community that some princely fortunes should be made in business.

The question whether capital as a whole is paid too well and labour not well enough can only be answered by considering by what means the workman's share can be increased.

Ultimately the question of the relative remuneration of capital and of labour will be settled, whether we like it or not, by the law of supply and demand. That is a law from which none of us can escape. It affects every kind of transaction because it is based on the essential facts of the material world and of human nature. As the old farmer put it: 'When there are two pigs in the market and only one buyer, pigs are cheap; when there are two buyers and only one pig, pigs are dear.' If then we wish to reduce the relative remuneration of capital, the most obvious course is to increase the supply of capital. The more plentiful capital becomes, the lower will be the rate of interest it commands, consequently the greater will be the margin available for paying higher wages or for reducing the cost of the commodities manufactured.

Unfortunately the whole tendency of the Socialist campaign is to diminish the supply and thus to raise the cost of capital. Socialists deliberately discourage the practice of saving money among the working-classes; they do not want working-men to become capitalists lest they should cease to be Socialists. At the same time, wage-earners are encouraged by the Socialists and Syndicalists to make the investment of capital as little lucrative as possible to the investor by doing less and less work in return for the pay they receive. This course of action—or inaction—is widely recommended on the plea that if one workman does less work, more workmen will be employed—an assumption which leads to the logical

absurdity that there will be most employment when no workman does any work.

In the same way, there is a widespread belief that reducing the hours of work necessarily increases the rate of pay. This is expressed in a doggerel rhyme regularly attached to some of the Syndicalist publications :—

> 'Whether you work by the piece or work by the day,
> Reducing the hours increases the pay.'

This in turn leads to the logical absurdity that the maximum pay will be attained when the hours of work have been cut down to zero.

The whole fallacy arises from forgetting that the workman is ultimately paid, not out of the employer's private purse, but out of the proceeds of the industry. The employer is, in fact, merely a go-between who brings one body of working-men into communication with another body. His function is to supply, or borrow, the capital necessary for the efficient conduct of modern industry, and to furnish the necessary organisation. These facilities he in effect lends to a body of workmen called producers, and the output of their labour is purchased by other workmen called consumers. The ultimate employer of the workman who makes hosiery is another workman who buys socks. The more efficiently the industry is organised by the employer, the better for both workmen. It is clear, therefore, that each wage-earner, instead of trying to do as little as he can for the wages he draws, ought, in his own interest and in the interest of his fellow-workmen in other industries, to do as much as he can.

Moreover, by helping to make his own factory or workshop efficient, he not only confers an immediate advantage upon the whole community—which consists mainly of working-people—but he also strengthens the position of the wage-earner relatively to the owners of capital and to the organisers of industry. For if wage-earners so

conduct themselves that their work requires less supervision and at the same time capital incurs less risk, fewer salaried superintendents will be required, and capital will be forthcoming at a lower rate of interest.

These methods of improving the workman's share of the wealth which he helps to produce will doubtless seem very dull to men who have been trying to build a new Jerusalem upon a foundation of frothy rhetoric; but they have the merit of being sure, and therefore in the end not slow.

CHAPTER V

THE RIGHT TO WORK[1]

Of all the proposals put forward by the Socialist Party none is more superficially attractive than the demand that the State should make provision for the unemployed. The tragedy of unemployment appeals to all of us. Even those who have been relieved by the generosity of their parents, or by the favour of fortune, from the necessity of working for their living must feel sympathy with the man who is willing to work, but can find no one to provide him with employment. That there are many such men in this country and in every country at this moment and at every moment is indisputable, and no one who has the least spark of human feeling can fail to be eager to find some sure means of diminishing their number or of abbreviating their period of unemployment. All this is common ground; it is only when we pass to the question of how to do what we all want done that divergence of opinion arises. There are some people who appear to imagine that every ill that human flesh is heir to can be swept away in the twinkling of an eye by passing an Act of Parliament. Even if they are not prepared to draft this wonderful measure themselves, they have not the slightest doubt that it can be drafted, and they are willing to pin their faith to any scheme that is preached with sufficient emphasis or advertised with sufficient skill. When any one ventures to point out that the particular scheme which has momentarily secured their support is

[1] The greater part of this chapter first appeared in the *Quarterly Review*.

no remedy at all, they close the discussion by asking with impatient contempt, ' What, then, is your remedy ? ' They never pause to reflect that progress cannot be secured by blindly following the leadership of the blind, and that it is easier to advertise a quack medicine than to find a real remedy for a long-standing disease.

Nor can it be admitted that those who point out the failure of popular panaceas are always under an obligation themselves to propose some positive scheme of reform. Often the only remedy required is a negative one. Part of the trouble from which the world suffers is due to positive wrong-doing, and that cannot be prevented until men are willing to adopt the negative remedy of abstaining from wrong action. What proportion of our present-day troubles may require this negative treatment we need not attempt to consider. It is, however, worth while to remember that in a certain code of conduct accepted as sacred, now and in past ages, by many millions of men, seventy per cent. of the rules laid down begin with the words ' Thou shalt not.' The importance of thus saying ' No ' is not limited to individual conduct. It applies equally to measures proposed by the State. When the community is threatened with Acts of Parliament which would only aggravate the disease they are intended to cure, it becomes the urgent duty of men who love their country to oppose such false remedies to the utmost of their ability, and frankly to say, ' We are not prepared to cure in a moment diseases that have endured for centuries, but we are resolved, so far as our strength permits, to prevent you from making the disease worse.'

There is no pleasure in coming to such a negative conclusion. It is far more agreeable to delude oneself with the belief that all the poverty and suffering and sorrow in the world can be promptly cured by administering to the body-politic a few well-advertised social pills. Those who fail to succumb to such delusions have to bear the brunt of being called cold-hearted and hard-

mouthed, indifferent to the welfare of the poor, and defenders of the wealth of the rich. These accusations are not pleasant, but they must be accepted as part of the day's work by all who venture to point out that some momentarily fashionable remedy is useless or even actively harmful.

These considerations are of direct application to the proposal put forward by the Labour Party for the creation of a statutory 'right to work.' This proposal was embodied in a Bill debated in the House of Commons during the session of 1908. The Bill was rejected on the second reading by a large majority, but it was noticeable that the minority included several members of the Liberal Party and one or two Unionists. The essential clause of the Bill declared that :—

'Where a workman has registered himself as unemployed, it shall be the duty of the local unemployment authority to provide work for him in connection with one or other of the schemes hereinafter provided, or otherwise; or, failing the provision of work, to provide maintenance, should necessity exist, for that person and for those depending on that person for the necessaries of life: provided that a refusal on the part of the unemployed workman to accept reasonable work upon one of these schemes, or employment upon conditions not lower than those that are standard to the work in the locality, shall release the local unemployment authority of its duties under this section.'

A subsequent clause provided that, where unemployment is due 'to deliberate and habitual disinclination to work,' the individual concerned may be subjected to control for a period not exceeding six months, 'which period must be passed in the performance of reasonable work under the supervision or control of the local unemployment authority.' The rest of the Bill dealt with the machinery for carrying out the principle above quoted. In addition to the 'local unemployment authorities' there was to be a 'central unemployment committee,' composed of

representatives of trade unions and of the principal Government offices. These bodies between them were to frame schemes for setting the unemployed to work. The money was to be found partly by the local authorities and partly by the Imperial Exchequer.

To most people these proposals seemed and still seem somewhat startling. That, however, is only because we have forgotten the follies as well as the wisdom of our ancestors. Similar proposals were actually embodied in the statute law of England more than three hundred years ago, while even before that date voluntary attempts were made by the municipalities to organise work for the unemployed. As early as 1557 the old palace of Bridewell was converted into an institution in which various industries were carried on by men who could not obtain employment elsewhere. This London example was followed by a good many other municipalities in the full spirit of modern municipal Socialism. Moreover, just as the Labour Party to-day provides for the case of persons afflicted with 'a deliberate and habitual disinclination to work,' so did our ancestors provide for the incorrigible idler. Under various statutes vagrants and idlers of either sex were liable to be whipped 'till their bodies be bloody,' with the additional refinement in some cases of being bored through the ear. They might also be committed into slavery for a period of years, and if they ran away they might be enslaved for life. When these gentle methods of persuasion failed, the incorrigible idler was finally disposed of by hanging.

Some modern Socialists are fond of appealing to the socialistic legislation of Queen Elizabeth as a glorious example for the statesmanship of to-day. They forget to say whether they are also in favour of reviving the whippings and the slavery and the hangings that were part of the Elizabethan régime. Nor do they attempt to explain how it happened that legislation which they regard as so supremely excellent should have proved so

complete a failure. The powers conferred upon the guardians of the poor by the Act of 1601 have never been specifically repealed. They were even extended so late as the year 1819. Even now it is doubtful whether a socialistic board of guardians would not be legally entitled, under the Act of Elizabeth, to raise money from the parish in order to provide a 'convenient stock of flax, hemp, wool, thread, iron, and other necessary ware and stuff to set the poor on work.' At any rate, down to 1834 the Socialists had their chance. For more than two centuries the system which they wish to revive could legally be put into operation in any parish, and was put into operation in many parishes. Yet everybody knows that the system was an absolute failure. Instead of diminishing poverty it added to the numbers and to the degradation of the poor. On this point the evidence collected by the Poor Law Commissioners of 1834 is conclusive. It shows that, where the poor law was administered on the principles which it is now proposed to re-establish, idlers were multiplied and poverty was increased.

The report begins by describing the various ways in which the guardians relieved distress. A very common practice was to pay either the whole or part of the rent of the labourer's cottage out of the poor rate. This practice was highly appreciated by the owners of cottage property, who were thus certain of getting their rents. In one case brought to light by the Commissioners an overseer of the poor, who was also an owner of cottage property, gives to himself, as owner, a guarantee from himself, as overseer, that his rents will be paid out of the parish fund. Incidentally it may be remarked that one of the greatest evils of the old poor law was the way in which many of the administrators of the law worked it to their private profit. This fact naturally increased very greatly the difficulty of introducing a sounder system.

The 'master evil,' according to the Poor Law Commissioners, was the practice of granting outdoor relief to

able-bodied men. In theory such relief was only granted in return for work done; but in practice the difficulty of finding suitable work and the difficulty of superintending the men while at work led to the abandonment of all serious labour tests. Some parishes frankly granted what was called 'relief in lieu of labour' to any man who was, or professed to be, out of employment. This practice was very popular with the overseers, because it saved them from the trouble of finding employment for the pauper, and it was popular with the paupers—often strong and healthy young men—because it left them free to spend their time in poaching and 'in depredations of various sorts from which the farmers each year became great sufferers.' In other parishes a monetary allowance was made for each child in the family, the allowance varying with the current price of wheat. This allowance was paid regardless of the wages which the man was earning.

Elsewhere it was the practice for the overseers to contract with employers of labour to give employment to paupers at so much a head. The employer paid a very small sum, and the difference between that sum and a reasonable wage was made up by the parish. The effect of all these devices was, of course, to lower wages, or rather to shift the burden of paying a fair wage from the employer on to the ratepayer. We consequently find that large employers of labour were opposed to a change. One of them protests that if the allowance system is abolished he would have to discharge all the men with large families, and only employ single men or men with small families, and that they would then receive 'more than is necessary for a maintenance.' Another witness indignantly asks, 'Why should farmers keep their labourers all the year to save the gentlemen and householders from poor rates?'

Even more interesting, however, from the point of view of the Bill of 1908, are the results of the attempt

made in many parishes to give direct employment. As already mentioned, this attempt constantly broke down, and the evidence clearly shows the cause of the failure. The paupers had a belief that it was their right to have, not only as good conditions as independent labourers, but even better conditions. At Great Farringdon, in Berkshire, the paupers even appealed to the magistrates against a superintendent who had wanted them to do more work. 'The ground of their appeal was that it was a thing unknown before in this parish, or any other, that parish labourers should work as long or as hard as other classes of labourers.' Again, at a parish farm in the Isle of Wight, 240 men were employed at one time in the course of the year 1830 'at the same wages as those usually given by the farmers. They scarcely did any work, and twice left the farm in a body to threaten the directors.' At Rancliffe the parish employees got rid of a troublesome superintendent by threatening to drown him.

A vivid and pathetic picture of the working of this system of parish employment is given by an agricultural labourer who was examined before the Commission. Asked whether in his parish there were many able-bodied men 'upon the parish,' he replied :—

Ans. There are a great many men in our parish who like it better than being at work.

Ques. Why do they like it better?

Ans. They get the same money and don't do half so much work. They don't work like me; they be'ant at it so many hours, and they don't do so much work when they be at it. They're doing no good, and are only waiting for dinner time and night; they be'ant working, it's only waiting.

Ques. How have you managed to live without parish relief?

Ans. By working hard.

Ques. What do the paupers say to you?

Ans. They blame me for what I do. They say to me, 'What are you working for?' I say, 'For myself.' They

say, 'You are only doing it to save the parish, and if you didn't do it you would get the same as another man has, and would get the money for smoking your pipe and doing nothing.' 'Tis a hard thing for a man like me.

It is indeed a hard thing for men like the above-quoted 'Thomas Pearce, labourer in husbandry,' and a hard thing for any honest workman, to be jeered at by those who are drawing the same or more pay than himself, and doing no work in return. That, however, is one among the many evils that must result when pay is given, not for the sake of purchasing work, but for the sake of disguising charity. Under any such system, whatever its details may be, the work is only a pretence, and therefore the men employed will only pretend to work. Men adapt their moral code to the economic system under which they live. If hard and honest work is a condition of maintenance, men will work honestly and hard; if an equal maintenance can be secured without effort, no effort will be made beyond such small efforts as may be needed to deceive the dispensers of charity.

It only remains to add that the moral corruption engendered by the old poor law did not end with the shirking of work and the deception of the overseers. It affected the whole lives of the poor. Witness after witness reports that it is easy to see at a glance whether a cottage is inhabited by an independent labourer or by a pauper. For example, the rate collector of the parish of St. Mary, Stratford-le-Bow, London, says :—

'The independent labourer is comparatively clean in his person, his wife and children are clean, and the children go to school; the house is in better order and more cleanly. Those who depend on parish relief, or on benefactions, are dirty in their persons and slothful in their habits; the children are allowed to go about the streets in a vagrant condition.'

Again, the Assistant Overseer of St. Sepulchre's, London, says :—

'The difference in their appearance is most striking. Almost immediately on the sight of a room I can tell whether it is the room of a pauper or of an independent labourer. . . . We have had frequent instances of persons being deprived of parochial relief for misconduct or otherwise—"choked off the parish," as the officers call it—during twelve months or more, and at the end of that time we have found them in a better condition than when they were receiving weekly relief.'

As for the idea of making any provision for the future, that, of course, was not to be thought of when the parish was bound to provide for all who neglected to provide for themselves. Nothing is more significant than the way in which benefit societies and savings banks suffered in districts where outdoor relief was freely given, and prospered in districts where relief could only be obtained by going into the workhouse. For example, one of the working-men witnesses says :—

'We had a large and very good society of our own, which failed some time ago, and I have known the societies of other trades fail. It has been a common complaint among us that but for the parish they would have stood firm.'

On the other hand, in Poplar, where a rigid administration of the poor law had been introduced a few years previously, a witness gave evidence that the people were contributing more regularly to benefit societies and to the local savings bank. Other 'depauperised' parishes had a similar tale to tell. Wherever the poor were made to pay their own rates and rents themselves, and relief was refused except within the workhouse, pauperism disappeared as if by magic, and the general condition of the poor immensely improved.

As even this long experience does not suffice to convince some minds, it is worth while briefly to describe the main features of a more modern experiment. Early in the year 1848 a revolution took place in France. The king was expelled, and a republican government was established,

The new Government was inspired by socialistic theories, and was completely dominated by the working-classes of Paris. One of the first acts of the new Government was to decree the right to work which our English Socialists sixty years later were shouting for as a new thing. The text of the decree is as follows :—

'Le Gouvernement provisoire de la République française s'engage à garantir l'existence de l'ouvrier par le travail. Il s'engage à garantir du travail à tous les citoyens.' (Decree of 25th February 1848.)

On the next day, 26th February, the Government proceeded to decree the 'immediate establishment of national workshops (*ateliers nationaux*).' It was easier to make this decree than to carry it out. But a happy accident occurred. A young man named Émile Thomas, armed with a letter of introduction, called on 3rd March on the Minister of Public Works and offered to organise the unemployed in accordance with the ideas of Saint-Simon. He hoped, with the aid of the pupils of the Central School of Engineering, to maintain order among the men, especially by employing moral influence. His offer was accepted by the Ministry with effusive gratitude. A disused building in the Parc Monceaux, which had been part of a royal villa, was assigned to him for his headquarters. Here M. Thomas and his mother established their private *ménage* in some upper rooms ; accommodation being also provided for the principal officials. The rest of the building was left free for the work of brigading the unemployed.

No time was wasted. On 5th March, two days after his first interview with the Ministry, M. Thomas summoned a conference of the mayors of the different districts of Paris and expounded his scheme. He promised to be ready on 9th March to enrol a first batch of 3000 men from one of the most distressed districts, the other districts to follow in daily sequence. On 8th March he

gathered together the pupils of the Central School of Engineering at the Parc Monceaux and explained their duties to them. 'I found them,' he says, 'filled with zeal and animated with the best intentions.' The next morning the enrolment of the first 3000 men began. The unit of organisation was the squad of ten men under a 'chef'; next came the brigade of five squads under a 'brigadier,' and so on. The rates of pay were not high. The workers received two francs on days of activity and one and a half francs on days of inactivity; the squad chefs received slightly more, and the brigadiers received three francs a day whether work was going on or not. The first job was to root up the trunks of the trees that had been destroyed during the revolutionary fighting on the boulevards, and to plant new ones. This only required the labour of a few hundred men; and it was decided to send the others on foot to fetch tools from the forts round Paris, and to fetch young trees from distant nurseries. 'This method of transport,' remarks M. Thomas, 'was at once absurd and ruinous; but what did the loss of a few hundred francs matter in comparison with the terrible example of giving a subsidy to idle men?' The next day an additional 1200 men arrived, many of them bringing personal recommendations from prominent politicians asking that they should be given posts as superintendents. The difficulty of finding work for all these men grew every day more serious. 'Each day I went to the Ministry of Public Works; each day I returned with the reply, The engineers have found no jobs yet.'

On 15th March M. Thomas had 14,000 men unoccupied. To meet this serious situation the Government engineers were instructed by the Ministry to specify works that were possible, rather than works that were really useful, and a number of schemes of road-making and levelling were adopted, and gave work to most of the men already enrolled. But fresh supplies of unemployed continued

to arrive, and even at this early stage it was discovered that many of the men were not passionately eager for work. They preferred to draw one and a half francs a day for inactivity, rather than two francs for doing more or less hard work. To meet this difficulty the inactivity pay was reduced to one franc, but still the numbers continued to grow. Indeed, so lax was the administration that many men came to draw their one franc as unemployed, and then quietly went off to earn their living in their ordinary employment. Other men inscribed themselves in several different brigades and drew pay from each.

All this irregularity went on in spite of a host of clerks and supervisors, who had been provided with posts at headquarters on political recommendation. Émile Thomas writes that he received recommendations from all the members of the provisional government—from one member no less than 700—and also from their wives, their children, and their doorkeepers. He adds that the *ateliers nationaux* were looked upon by the Ministry as a drain for drawing off the suppurating horde of place-hunters and parasites: 'L'administration des ateliers nationaux était devenue pour chacun de ces messieurs de pouvoir une sorte d'exutoire par où ils écoulaient soit les protégés de leurs amis, soit les solliciteurs et les coureurs de places, parasites inévitables,' etc. (*Histoire des Ateliers Nationaux*, by Émile Thomas.)

Less bitter but more tragic is the account he gives of the receipt of an order from the Ministry of Public Works to deal all at once with the claims of 600 persons, 'dramatic artists, painters, sculptors, designers, bank clerks, and shop assistants.' These men had addressed to the Ministry the following pitiful plea :—

'The republic has guaranteed work to every citizen. We have none. We do not ask that work should be given to us, as was promised, each in our own occupation. We know that this would be impossible. But at least give us the

opportunity of honourably earning the bread we need. We are at the end of our resources, and the municipal authorities refuse to give us tickets of admission to the *ateliers nationaux* because we wear the clothes to which we have been accustomed and not the dress of workmen. Yet we are worthy of pity as well as they.'

M. Thomas promptly took on the whole of the 600, and employed them to act as inspectors of pay-sheets, and to visit the ordinary workmen in their homes and report on their 'physical and moral condition.'

It is important to note that only a few attempts, and those only affecting a very small number of men, were made by M. Thomas to organise any industry other than road-making, levelling, and unskilled work of that character. On the other hand, M. Louis Blanc obtained the permission of the Government to organise, partly on co-operative, partly on socialist principles, a workshop for the supply of clothes and saddlery to the army. Some workshops for women were also started, and one or two other stray experiments were made. The taxpayer bore the cost of all these enterprises, and most of them disappeared in the general crash that brought the *ateliers nationaux* to an end.

As above stated, it was on 9th March that the enrolment at the *ateliers nationaux* began with 3000 men. By the end of April this number had risen to over 100,000, and most of the men had ceased to make even a pretence of working. Early in May one of the Ministers delivered an oration to these 'national workmen,' and ventured to refer to the duty of working. The remark was received with murmurs of disapproval. Meanwhile the financial situation was growing every day more serious. The provisional government had been replaced by a National Assembly regularly elected by the whole of France. The necessity of finding the money for the *ateliers nationaux* fell upon the Assembly, and every additional million francs demanded met with increased protests from the

deputies. These national workshops, or gangs of national workmen, had been in existence barely two months, and already they were recognised as a dangerous drain upon the strength of the nation.

M. Émile Thomas, the enthusiastic organiser of the scheme, did his best; he seems to have acted honestly, and he certainly preached honesty to others. At the same time he could not resist the temptation of utilising the great army of men whom he controlled as an instrument with which to threaten the Government. At last the situation became intolerable, and on 26th May he was craftily kidnapped, by order of the Government, and sent under police escort to Bordeaux. An attempt was then made by the Government to substitute piece-work for day-work, and also to send back to the provinces the men who had poured into Paris to enjoy the subsidised idleness provided in the *ateliers nationaux*. On 22nd June an order was issued that all the national workmen between seventeen and twenty-five were to enlist in the army, and that if they failed to do so they would cease to be entitled to maintenance. A large number of the rest of the men were ordered to enrol themselves for work in the country. An insurrection instantly broke out, barricades were erected, and for three days it was uncertain whether the Government or the unemployed would win. It was only on the fourth day that General Cavaignac was able to report that 'order had triumphed over anarchy.' Some 3000 persons were killed in the fighting, on one side or the other, and 3376 insurgents were arrested and transported to Algeria.

That was the end of the 'right to work' under the French Republic of 1848. In the words of Levasseur, 'Jamais insurrection parisienne n'avait jusque-là fait verser tant de sang et causé tant de deuils.'

It is important to note that the Government responsible for the famous decree of 25th February establishing the 'right to work' was not a Government chosen by

the people. It consisted of a little group of Socialists who, by virtue of an unexpectedly successful street riot, had been able to seize supreme power. They had for at least two months the whole machinery of the Government of France at their command, and they failed miserably.

Let us turn to another nation where a similar disaster was happily prevented by constitutional means. In the year 1893 the Swiss Socialists put forward a proposal for the passing of a federal law which would guarantee sufficiently paid labour to every Swiss citizen. This proposal was supported by 52,000 signatures, and was, in accordance with the excellent constitution of Switzerland, submitted to a vote of the whole people. The substantive clause of the proposal submitted to the Swiss electors was as follows: 'Das Recht auf ausreichend lohnende Arbeit ist jedem Schweizerbürger gewährleistet. Die Gesetzgebung des Bundes hat diesem Grundsatze unter Mitwirkung der Kantone und der Gemeinden in jeder möglichen Weise praktische Geltung zu verschaffen.' (The right to sufficiently paid labour is guaranteed to every Swiss citizen. The federal legislature, in co-operation with the cantons and communes, will give practical effect to this principle in every possible way.) The voting took place in June 1894 and the proposed 'right to work' was negatived by 308,289 votes to 75,880.

The prudence thus displayed by the democratic people of Switzerland has unfortunately not been repeated in the proceedings of the more aristocratic government of Great Britain. Under a Ministry which was in name Conservative, an Act was passed in 1905 which went perilously near to establishing the right to work. This Act set up a new authority called a Distress Committee with the idea that it should provide employment, at the expense of the ratepayer, for those who claimed to be unemployed. Fortunately the authors of the Act had not the courage to permit the new authority to make a direct levy upon the ratepayer. When, however, the

Liberals came into power in 1906, one of their first acts was to provide, by means of a vote in the House of Commons, a sum of £200,000 with which to finance the Act of 1905. The taxpayer, instead of the ratepayer, was to be responsible for finding the money for this new experiment. To his great credit, Mr. John Burns, then President of the Local Government Board, did his best to mitigate the pauperising effect of this dole of the taxpayers' money, and in the two following financial years the actual sum spent was a good deal less than the sum voted by Parliament.

The principle, however, had been established that persons who were out of work might look to the Government to provide them with wages, and the Socialists made full use of the point thus gained to press their agitation for a general scheme of State maintenance of the unemployed. They were fortuitously aided during the autumn of 1908 by a severe spell of trade depression. It also happened that Parliament had been summoned to sit in the autumn, and this double accident determined the Government to take a further step towards admitting the Socialist right to work. The actual scheme put forward by the Government did not amount to much from the financial point of view. Certain works required by local authorities were to be ante-dated; work for the Admiralty, which in the ordinary course would have been postponed till the turn of the year, was to be put in hand at once; and, finally, the parliamentary grant was to be increased to £300,000, and provision was made for spending the money in such a way as to specially benefit the unemployed regardless of the injury which might be inflicted on other workmen. The arrangement was as follows: Wherever a local authority established relief works, the parliamentary grant was to be used to pay the difference between the cost of having these works carried out by contract and the cost of employing the 'unemployed.' This was a direct injury to the efficient

workmen who would be employed by a contractor, and a direct encouragement to the local authorities to maintain in a permanent condition of half idleness a number of men whose previous training or whose natural disposition unfitted them for the hard muscular exertion necessary on relief works for the unemployed.

Yet at the time these proposals were made there was ample evidence available of the evil results accruing from relief works. Both in the metropolis and in provincial boroughs relief works had been frequently started during the preceding winters, with the result that the money of the ratepayer had been wasted and the number of the unemployed increased. One Local Government Board inspector reports (*Times*, 22nd November 1905) that in the principal towns of the West Riding of Yorkshire the conditions under which relief works had been established 'afford every likelihood of a stereotyped class of men being evolved who will be content to live on three days' work a week.' Another inspector writes :—

'Irregular relief work has such charms that numerous instances have been noted of men throwing up regular wages at 18s. and 19s. a week to earn from 5s. to 7s. in a stone-yard.'

In the case of the Manchester and Salford relief works it is reported that

'Many men under a labour test left their work and forfeited the day's relief in order to join a procession of the unemployed.'

An official from a country union writes (*Times*, 26th December 1905) :—

'The scum of England is besieging London in the hope of sharing in the Queen's Unemployed Fund. Last week our worst character, who is known in all the gaols but two, and in many of the workhouses in England and Wales, took his discharge and announced his intention of proceeding direct to London to share in the great fund.'

As an example of the kind of work provided by the wisdom of the municipalities, we find that the borough of Stepney, in the winter of 1904-5, abandoned the use of road-sweeping machines and employed hand labour instead, with the result that work which should have cost only £486 actually cost £3569.

This may be regarded as an extreme case, but it only differs in degree from the experience of other borough councils in London. In every case employment of the unemployed led to a wasteful expenditure of public money. The work was done less efficiently and at greater cost than it would have been done by ordinary workmen. The efficient workman lost a job in order that room might be made for one or more inefficients. A poor law guardian of Paddington writes :—

'I can speak from experience of one case of a vigorous young labourer bearing a very good character who was discharged from the parks because the unemployed were going to do his work; he told us that there were forty-six more in the same position!'

Thus the Socialist right to work resolves itself into the right of one man to take another man's job.

As a final example of the results that ensue when public bodies attempt to make work for the unemployed, take the case of the reclamation works at Fambridge undertaken by the Central Unemployed Body for London. On 26th November 1906, in answer to a question in the House of Commons, the President of the Local Government Board stated that the total sum estimated to be expended on these works was £17,950; that about 200 acres of land were to be reclaimed; and that the value of the land after reclamation would be about £5 an acre. So that the Central Unemployed Body was spending nearly £18,000 in order to get back £1000.

Let us now pass from these examples of the failure of professedly practical schemes for making work for the

unemployed, and proceed to consider the economic and moral principles involved. The proposition put forward by the Socialists is that every man has a right to work. It is an excellent proposition for attracting applause, but it will not bear a moment's serious consideration. As it stands the proposition is meaningless, for the right to work is clearly worth nothing unless somebody is willing to pay for the work done. What the Socialists really mean when they say that a man has a right to work is that he has a right to claim wages at the expense of people who do not want his work. That is a very different proposition, and we will presently deal with it.

First, however, it is important to note that the Socialists themselves deny that very right to work which they profess to claim. They contend that a man has no right to work, though he may be anxious to work, if the conditions of employment are such as meet with their disapproval. English Socialists have not yet gone so far as openly to claim that they are justified in using physical force to prevent men from working, although one of their number has publicly pointed out the persuasive value of broken bottles. Continental Socialists are less modest in their demands. In the city of Basle, in Switzerland, there is a police regulation of long standing which very properly prohibits the use of violence, threats, or personal abuse with the object of compelling persons to take part in labour disputes or to abstain from work. During the summer of 1907 the Socialists of Basle formally proposed that this regulation should be repealed. Their proposal was submitted, by means of the referendum, to a popular vote of all the electors of the city, and was rejected by an overwhelming majority.

It is clear from this illustration, as well as from the logic of the case, that when the Socialists demand the right to work the thing they ask for is not the thing they want. They ask for work; they want wages. Most of us can sympathise with the demand for wages. Most of us are

wage-earners, dependent for our living upon the wages we earn. But most of us have long ago learned that in order to get wages a man must offer work which somebody wants, and must take the trouble to discover that somebody. If he fails to do this, he is not justified in asking Parliament to force other people to pay him a wage for doing something which they do not want done. Possibly many people might be willing, as they certainly ought to be willing, to give him a helping hand. The duty of the strong to help the weak, of the fortunate to help the unfortunate, is instinctive in us because we are human beings. The beasts of the forest have no such instinct; they are pitiless to one another. But this duty that men feel, because they are men, is not discharged, it is not even recognised, when the State compulsorily takes from Tom, Dick, and Harry part of the wages which they earn, or part of the property which they possess, and hands the money over to some individual whom they perhaps have never seen. There is no trace of human kindliness in such a transaction as this. The whole proceeding is impersonal and mechanical. It cannot possibly create any feeling of comradeship, or of sympathy with suffering. On the contrary, it may easily create a bitter sense of injustice and wrong. Therefore, on moral grounds, there is nothing whatever to be said in defence of the Socialist proposal that people who have failed to find work—including those who have not looked for it—should be provided with wages by the State at the expense of men who have been more persistent or more fortunate. Such a policy, if carried into execution on any considerable scale, would certainly arouse an angry feeling of resentment, and thus tend to destroy that very sense of human comradeship which is so important an element of social progress.

This moral mischief would be so serious that we should hardly be justified in risking it for any economic advantage, however great. When, however, we examine the economic

aspects of the proposed right to work, we find that this Socialist proposal is as unsound economically as it is dangerous morally. If every man knew that when he was out of work he had only to present himself at some government depot, and that he would there obtain a definite wage in return for some undefined work, a large number of men would abandon their present occupations for the sake of a softer job.

That, indeed, is part of the programme of the Socialist Party. They have a belief that by making soft jobs at the taxpayer's expense they can improve the general condition of the wage-earning classes. The fallacy arises from neglecting to ask what the taxpayer would have done with his money if he had not been compelled to give it up to the Government to pay for these soft jobs. Of necessity he would have spent it, directly or indirectly, in paying wages. When a lady buys a hat she is, in effect, paying the wages, not only of the workgirl who made the hat, but also of the operative who wove the ribbons or plaited the straw, and of the sailors, railwaymen, carters, clerks, shop-assistants, and others, who, by their labour, all contributed to the bringing together of the materials of which the hat is composed, and to its conveyance to the final purchaser. All these persons are ultimately dependent for their wages—or, to be strictly accurate, for a proportional part of their wages—upon the lady who buys the hat.

Some people are often tempted to use this fact as a defence for any selfish expenditure in which they choose to indulge. It is no defence. They would give just as much employment, neither more nor less, if they spent the same amount of money unselfishly. A man may add another storey to his own house, or he may build half a dozen houses for his poorer neighbours. In each case the same amount of honest employment has been given; but in the one case he has added a little bit to his own personal satisfaction, in the other case he has conferred

a boon of the utmost value upon those less fortunate than himself. For the moment, however, we are not concerned with the moral question whether the money is spent selfishly or unselfishly; we are only concerned with the economic fact that a lady, by buying a hat, provides wages for the persons employed in making the hat and conveying it to her possession. The same economic sequence of events applies to any money that is saved. By saving money a man transfers his power of spending it to the company or firm or corporation or government with whom he invests the money. In every case the money is spent, and in being spent provides for the payment of wages. It follows that when money is taken from the taxpayer by the Government in order to provide wages for the unemployed, the people whose wages that money previously provided must now suffer.

The position will be made clearer by taking a simple illustration. Suppose that an extra tax of £100 a year is imposed upon a well-to-do citizen in order to obtain money for paying wages to the unemployed, and suppose that the well-to-do citizen finds that the most convenient way of meeting this extra burden is to get rid of one of his gardeners. It then becomes obvious that the supposed remedy has done nothing to remove the evil of unemployment. One unemployed man has been brought into employment, one gardener has been thrown out of employment.

That is what always happens, and always must happen. Every penny of public money raised by taxation comes out of private pockets, and therefore every plus of public expenditure is accompanied by a minus of private expenditure. At the very best, government expenditure, whether for the benefit of the unemployed or for any other purpose, only shifts employment; it takes away work from the persons who would have been employed by private individuals, and gives work to the persons selected for State employment.

Up to a certain point this transference of employment is necessary. It is necessary that some men should be deprived of work as labourers or gardeners or grooms in order that they or other men may be employed as soldiers or sailors or policemen. It is necessary that cotton-spinners and iron-smelters, bootmakers and barbers, should often be short of work, in order that money may be found to pay the salaries of His Majesty's judges and of a moderate number of cabinet ministers and government clerks. Until the anarchist millennium arrives some agents of government are necessary to keep the social machine in working order. Without them the economic structure of society—bad though it may be—would be dissolved into a worse chaos. But persons who receive pay from the Government, whatever their rank, and whatever the excuse for employing them, must justify the expenditure they involve by the work they do. Unless this work is more valuable than the work done by the persons thrown out of private employment in consequence of taxation, there is no net gain to the nation. An unemployed man who is set to do useless work as an excuse for paying him wages is a mere drag upon the nation's wealth. Economically it is far better that the money required for his wage should remain with the taxpayers, to be spent by them, let us assume, in paying for the work of an additional bootblack. In each case the nation has to keep a man and to provide him with food and clothing and houseroom, but in the case of an unemployed man who is only playing at work the nation gets back nothing; in the case of the bootblack it gets back cleaned and polished boots.

The sole test, then, is the test of utility. Does the nation want the new work, on which it is proposed to employ the unemployed, as much as it wants the old work now being done by persons who will be thrown out of employment when the taxpayer is called upon to pay for the new work? Only one answer is possible to that

question. If the nation really wanted this new work done, we should set about doing it without regard to the problem of unemployment. We do not engage postmen in order to provide wages for the unemployed. We engage them because we want our letters carried. In the same way, if we came to the conclusion that it was desirable to plant forests on the moors of Scotland or Yorkshire, we should set about that business with the sole idea of doing the work as efficiently and as economically as possible. We should get together the workmen best suited to the job, and give them, as far as possible, permanent billets. Their employment on this work would make no difference to the general problem of unemployment. Trees planted upon Scottish moors will give back no return for many years to come. In the meantime the men employed in planting and tending them can only be paid with money which otherwise would have been used to pay the wages of other persons. Consequently there is no addition to the sum-total of present employment. One man has been thrown out of work and another man brought into work. In a word, we cannot create additional employment unless simultaneously we create additional wealth with which to pay for it.

This proposition is so important that it is well to enlarge upon it. By employment is clearly meant paid employment. Nobody would stir up a political agitation to secure the privilege of working without pay. What, then, is pay? In the first instance pay is made in money, but the money is promptly converted into the things and services the workman wants for his own life and the life of his family—bread and butter and cheese, coats and shirts and stockings, chairs and tables, saucepans and firegrates, timber for flooring, and tiles for a roof. Without these things he cannot live; these and similar commodities and conveniences are the things he works for. They are his pay. At once, then, it becomes clear that we cannot increase the sum-total of paid employment

unless we also increase the volume of commodities and conveniences which all men want.

None of the schemes ever proposed for State employment for the unemployed do this. They are all designed, not to produce things that somebody wants, but to provide an excuse for paying wages to people who cannot find work. In every case the work is made for the sake of the workman, and that very fact implies that the work is not wanted for its own sake. It is therefore less valuable to the nation than work undertaken for ordinary commercial or national motives. Yet, in order that this work may be paid for, the taxpayer is deprived of the power to pay for work that he wanted done. His employees will lose their employment. Men who were doing something that was wanted will cease to work, in order that others may be employed upon something that is not wanted. Under such conditions the production of desirable things, or wealth, will be diminished ; there will be less wealth available for the payment of labour, and therefore less employment. This is why schemes of State employment for the unemployed of necessity intensify the very evil they are intended to remedy, and ought, therefore, to be resolutely and relentlessly opposed by all who wish to diminish the hideous evil of unemployment.

We can only diminish that evil by improving the organisation of industry so that work is made less irregular, and by increasing the efficiency of labour so that more wealth is produced. In the case of seasonal trades, men should be encouraged to learn a second trade, so that they may be able to work all the year round. In the case of intermittent work such as dock labour, it ought to be possible to organise unskilled labour on the basis of a permanent engagement through the agency of some Labour Company or Labour Trust. In such an organisation the men would receive a retaining wage as servants of the Labour Company, and an additional pay-

ment when sent out to work. There seems no reason why a company for the supply of manual labour should not be as commercially successful, and as nationally beneficial, as a railway company that supplies transport or a gas company that supplies light. More generally, we want to encourage permanence in the contracts between workmen and employers. The period of engagement ought in most industries to be lengthened, and the contract of employment ought always to provide for reasonable notice on either side before the engagement is terminated. In these and in other directions there is enormous scope for the improvement of our industrial organisation both in outline and in detail; but this valuable work has been largely neglected, while money and time have been lavished upon charitable and semi-socialistic schemes which only deal with external symptoms and leave the inward disease as bad or worse than before.

In addition to improving the organisation of industry we must, if we wish to make any serious progress, increase the efficiency of labour. The most potent instrument for this purpose is the extended use of machinery. There was a time when the working-classes of this country were bitterly opposed to the extension of machinery, and even now traces of the old spirit are still to be found; but, on the whole, the value of machinery to the wage-earner is now so fully recognised that it is hardly worth while to say a word in explanation of its economic effect. Not only does the machine increase the earning power of each individual workman, but by multiplying commodities it lowers their price and benefits the workman in his capacity as a consumer as well as in his capacity as a producer.

In the same way overseas commerce improves the position of the workman, both here and abroad, by enabling industrial effort to be concentrated on those commodities for which each country has a special apti-

tude. Commerce is only an extended form of division of labour. If Frenchmen can produce silk goods slightly better than Englishmen can, and if Englishmen can produce cotton goods slightly better than Frenchmen, there is a real advantage to the wage-earners of both countries in exchanging cotton for silk. Each man is thus able to earn slightly more because he is taking fuller advantage of his personal aptitudes or of local conditions.

Next in importance, if not of even greater importance, is the question of the output of work by the individual workman. No one familiar with the facts will deny that the wealth production of this country is very seriously diminished by the prevalence of the absurd theory that a man who works hard is keeping another man out of a job. If this were true, then it would follow that the best way in which a workman could help his comrades would be by doing no work at all, which leads to the absurdity that constant employment will be secured for everybody when nobody does any work. The fallacy, of course, arises from forgetfulness of the fact that the wealth produced by the work of one man constitutes the wages of another, and that the real employers of the working-classes are, in the main, the working-classes themselves. The more wealth each workman produces the greater is the sum available for the wages of other workmen. Unfortunately the absurd theory above referred to is not only widely held, but widely acted upon. Many workmen, when paid by time, deliberately make a rule of doing, not the maximum which their strength and health would reasonably permit, but the minimum which will pass muster with the foreman. The amount of labour power thus annually wasted and lost for ever is incalculable. This important question is seldom faced with sufficient courage by trade-union leaders. There is no point on which their influence could more profitably be employed for the advantage of the men they

lead. It would be well if every trade union placed at the head of its rules some such declaration as the following:—

'It is the duty of every member of this society to work to the best of his ability in return for the wages he has agreed to accept. Any member who is proved to be deliberately evading this obligation will be expelled from the society.'

It is hardly necessary to add that the moral obligation to work to the best of one's ability is not confined to the wage-earning classes. A clear obligation rests upon men and women of independent means to do useful work, however wealthy they may be. By working they give back to the community something in return for what they consume, and to that extent they increase the wealth available for the use of the nation. To sum up in a sentence: the right to work which Socialists claim does not exist, and cannot exist; but the duty to work does exist, and if we all discharge that duty to the best of our ability there will be no lack of means to provide wages for everybody.

CHAPTER VI

PROTECTION AND EMPLOYMENT

THE most popular of all protectionist arguments rests upon the statement that protection increases employment. 'Surely,' it is said, 'the shutting out of French silk must make more work for British silk weavers. And if silk weavers can be benefited by the exclusion of the articles that compete with their labour, other British workmen can be benefited in the same way. Consequently it must be true that the shutting out of foreign goods will increase the employment of British labour.' That is a form of reasoning that appeals to nearly every class in the community, and especially to the classes that depend for their livelihood on weekly wages. Men whose lives are ever subject to the overshadowing doubt whether the hard work of to-day may not be followed by no work to-morrow, cannot be greatly blamed if their judgment is captured by so plausible a fallacy. It is therefore of the utmost importance to deal with this argument and demonstrate the delusions that underlie it.

The first test to apply is to press the argument to its logical conclusion. If the shutting out of foreign goods benefits British labour, then we ought not to be content with a mere tax on foreign goods; we ought absolutely to prohibit their importation. There is some flaw in the position of a statesman who says that he wishes to benefit his fellow-countrymen by excluding foreign goods, and yet stops short at a ten per cent. tariff.

Nor is it only British protectionists who thus hesitate to give a logical application to their theories. In no

country in the world is the protectionist doctrine logically carried out, for no country absolutely prohibits foreign imports, and even countries which are loosely described as 'rigidly protectionist,' such as the United States, permit many foreign articles to enter free of duty.

Again, if it be true that British workmen can be benefited by the exclusion of foreign goods, it must be equally true that English workmen will gain by the exclusion of Scottish goods, and reciprocally that Scottish workmen will gain by the exclusion of English goods. For example, the Scottish tweed industry has suffered, not from the competition of Germans or Frenchmen, but from the competition of Yorkshire. Yet no British protectionist has yet advocated a tariff between England and Scotland. On the contrary, when the London County Council some years ago paid a higher price for boats built on the Thames than for boats built on the Clyde, it was duly ridiculed by the protectionist Press. But if we can increase employment in Great Britain by shutting out foreign goods, we can in the same way increase employment in London by shutting out Glasgow goods, and therefore, on protectionist principles, it is the duty of the London County Council to buy nothing that is made outside of London. It is equally, on protectionist principles, the duty of the Liverpool City Council to buy nothing made outside of Liverpool, and so on for every town in the Kingdom. If, then, protectionists had any real faith in their economic principles, they would advocate the creation of a tariff wall round every town and every village in the United Kingdom. The amount of employment in each town and village would thereby be increased, and the whole nation would be enriched. Yet British protectionists refuse to advocate a measure which would so obviously, on their principles, redound to the advantage of this country.

On the other side of the Atlantic we find that American protectionists are equally inconsistent. Instead of applying their principles of exclusive dealing to every village

and every cottage, they have created a great free-trade area thirty times the size of the United Kingdom. In Canada alone do we discover any serious attempt to protect one part of the country against another. In Canada each town strives to encourage employment within its own area by means of protectionist devices which apparently are illegal in the United States. The whole proceeding was admirably described by Mr. Fielding, Finance Minister of Canada, in his Budget speech, 22nd April 1897 :—

'Now under the high tariff policy the first step in the direction of a new factory is to have the bonus hunter set out on his way. He expects to receive as a matter of course exemption from the taxation which every other citizen expects to pay as a matter of course. Not content with having an Act of Parliament to license him to charge high prices for his goods, he thinks the city, town, or village must give him further help by way of a site for the factory or by some grant of that kind. And if perchance the people of the town shake their heads and do not think they should help him in that particular way, he will remind them that there are other towns quite ready to do so. And then this system of protection, always selfish, always greedy, sets these two towns by the ears to bid against one another, to be rivals and jealous of each other instead of cultivating that friendly relation which should exist.'

This peculiar Canadian system was not stopped or even checked by the Finance Minister's protest. Seven years later a special correspondent of the *Yorkshire Post* in Canada wrote in that journal on 20th December 1904 :—

'In this country nobody thinks of setting up a plant which will furnish work for a dozen men without an application to a municipal council. It is as much a part of starting a new industry as getting together the plant and installing the capital. . . . Protection permeates this country in many ways unsuspected in England where people only know of the Canadian tariff. It has eaten into municipal life as well as into provincial and dominion politics.'

It is safe to say that no British protectionist wishes to imitate this Canadian example; but that is only another way of saying that no British protectionist has the courage to carry his theories with regard to employment to their logical conclusion.

We can now advance a stage further in the argument, and ask whether there is any evidence that the claims put forward on behalf of protection as a means of creating employment are realised in practice. In September 1903 Mr. Balfour published a temporarily famous pamphlet, in which he argued that in a free-trade country industry was liable to greater ups and downs than in a protected country. It is worth while to quote his exact words. Speaking of the protected manufacturer, he says :—

'He is not haunted by the fear of over-production. If the home demand slackens, compelling him, if he desires to maintain prices, to limit home supply, he is not driven like his less favoured brother to attain this result by also limiting output. He is not obliged to close part of his works or to dismiss part of his hands or to run machinery on half time.'

On the very same day that this pamphlet appeared, the following telegram from New York was published in the English Press :—

'Five thousand men have been paid off at the Steel Trust's mines in Wisconsin and North Michigan.'

The late Mr. Joseph Chamberlain used similar language during his tariff reform campaign in 1903. Speaking at Greenock, he expressed his belief that in a protected country workmen never suffer from unemployment, and quoted the report of an interview between an American journalist and the director of the American Steel Trust. The journalist asked what the Steel Trust was going to do in view of the falling off of home orders.

'Oh,' said the director, 'we have made all our preparations. We are not going to reduce our output. *We are not*

going to blow out a single furnace. No, if we did, that would be injurious to America. We should have to turn out of our works into the streets hundreds of thousands of American workmen. And therefore what we are going to do is to invade foreign markets. . . .'

Eagerly accepting this bunkum at its face value Mr. Chamberlain commented as follows :—

'Hundreds of thousands of English workmen will be thrown out of employment in order to make room for hundreds of thousands of American workmen, who are kept in employment during bad times by this system.'

That was Mr. Chamberlain's statement, but what are the facts ? His speech was made on 7th October 1903.

On 12th October the Keystone Furnace, Penn., was blown out.[1]

On 14th October the Chatham Furnace of the Union Iron and Steel Co., New York, was blown out.

On 31st October the Calumet Furnace at South Chicago was blown out.

This blowing out of furnaces in the United States was continued through November and December, and men were dismissed by thousands at a time. It may safely be said that such wholesale dismissals of workmen as occur in America are almost unknown in Great Britain.

Evidently, then, the claim that in America protection secures regularity of employment cannot be substantiated. It is equally impossible for protectionists to produce any evidence that in European protected countries workmen are more regularly employed or better paid than they are in England. There are unfortunately no international statistics of employment which can be relied upon. Each country collects its own statistics in its own way and the figures mean such totally different things that it would be dishonest to compare them. A comparison of wages can more easily be made, and as

[1] See *The Iron Age*, the leading organ of the American iron industry.

few men care for work without wages the wage test is sufficient for our present purpose.

France before the war compared very well with England both in area and in population. She has an equally good geographical position and a better climate. Yet wages in France have always been lower than wages in England.

In Germany also wages have always been lower than in England.

In Italy the majority of the working-classes before the war lived under conditions such as English working-men would not tolerate for a day.

In Russia the protective tariff was higher than in any country in the world, and therefore on protectionist principles Russia ought to have been the most prosperous of all countries. Yet in the year 1905 the workmen engaged in these protected industries were leading a revolution, and declaring that they preferred death to their actual condition.

The case for free trade does not, however, rest on this negative evidence from foreign protectionist countries. It rests on arguments which every one can check for himself by his own innate powers of reasoning. The free-trader asserts that it is impossible to increase employment by taxing imports. He does not mean that it is impossible to increase employment in a particular trade by taxing those foreign imports that compete with that trade. What he does mean is that it is impossible to increase the sum-total of employment in any country by a tax on foreign imports. All we can do by any protective system is to redistribute employment. We can add to the prosperity of some industries but only at the expense of other industries, and this arbitrary uplifting of one industry and this arbitrary depressing of another industry must result in a net loss to the whole community.

To take a concrete illustration : A few years ago the London County Council decided to buy British rails for its tramways instead of Belgian rails offered at a lower

price. The decision was at the moment welcomed by the man in the street who thought the matter was clinched by the question : 'Why give work to foreigners when our own people might have the job ?' But the matter is not so simple as the man in the street imagines. Suppose, to take an extreme case, that the Belgians had offered to give us the rails for nothing. Few people would then have said that the London County Council was justified in refusing the gift. For by accepting the gift the Council would have saved the ratepayers the price of the rails, and that money would have remained in the ratepayer's pocket to be spent by him in giving employment to the tradesmen and workpeople who furnish him and his family with the necessaries and luxuries of life. There would have been just as much employment of British labour as if the rails had been made here ; for the grocer, the draper, the bootmaker, the milkman, and the rest would all have received employment which they would have missed if the ratepayer's money had been used to pay for the rails, and the sum-total of this miscellaneous employment is equal to the specific employment which the same money would have provided for British rail-makers. The final difference is that the people of London, in addition to getting the rails, would also have got more groceries, more clothes and boots than they could have paid for if they had had to pay for the rails. This being true if the rails were offered to us for nothing, it is equally true of the advantage we obtain by the difference in price between the Belgian and the British rails. By accepting that difference as a free gift from the foreigner, we increase the sum-total of national enjoyment without diminishing the sum-total of national employment.

We come back therefore to the point that at best a protective tariff can only benefit certain selected industries at the expense of all the other industries of the country. A tax on French silk cannot benefit English silk weavers

unless the effect of the tax is to raise the price of English silk. It is this increase of price that the advocates of protection always desire. Nobody would ask for protection unless he hoped thereby to obtain a better price for the goods he has to sell. The protectionist who professes to believe that the foreigner pays the duty is either deceiving himself or throwing dust in the eyes of the public. If the foreigner pays the duty, and continues to pay it, the home producer gets no better price and therefore gets no protection.

This argument may be met with the assertion that in many cases the imposition of an import duty has been followed by an actual fall in the price of the article taxed. That is quite true, but quite irrelevant. No sane person ever contends that an import duty is the only factor that affects price. A thousand and one factors coalesce to determine at any given moment the ever-varying prices of the staple articles of commerce. If for example the imposition of a duty on wheat coincides with a redundant harvest in Canada or in the Argentine, prices will fall even in face of a high duty. On the other hand, if the removal of a duty should coincide with a late frost in Canada or a drought in the States, prices will rise although the duty is gone. When we say that the imposition of a protective duty raises the price of the article protected, all we mean is that it raises the price above what it would have been if there had been no duty. That statement is universally true. For if a duty neither raises price, nor prevents a fall of price, it confers no benefit whatsoever on the home producer, and therefore is not a protective duty.

Some astute advocates of protection are ingenious enough to answer that they do not want to raise prices, but only to get the trade. The reply is that they can get the trade, and keep it, if they only sell cheaper than other people. By asking for protection against foreign competition, they confess that they want to obtain

higher prices than they would be compelled to accept if competition were free. Those higher prices must be paid by the person who buys the goods, in other words by the home consumer.

Who, then, is the home consumer?

There seems to be a vague idea in the minds of some people that while the producer is an active and ever-industrious person, toiling long hours for low wages, the consumer is a happy individual who enjoys at leisure the proceeds of other people's work. To correct this absurd conception, imagine a well-dressed individual lolling in an armchair and complacently munching pig-iron, wet hides, steel billets, sawn timber, woollen yarn, window glass, and chemical dye-stuffs. The truth is that while for convenience we use the terms producer and consumer in opposition to one another, when we are thinking of one as the seller and the other as the buyer, in reality every producer is also a consumer, and every consumer—with insignificant exceptions—is also a producer.

The consumer of pig-iron is a producer of steel; the consumer of hides is a producer of leather; the consumer of steel billets is a producer of ship plates; the consumer of woollen yarn is a producer of cloth, and so on through the list of all the staple articles that this country imports from the rest of the world.

If we impose a protective duty on any article for the benefit of one home producer, it is another home producer who must pay the price of that protection. Therefore we must not only ask whom we shall benefit by our protection, but whom we shall injure.

This is true even in cases where the foreign article is not the basis of another home industry but is required for direct personal consumption. Take French silk again. If a woman has to pay more for a silk dress because of the taxation of the French silk, she will have less money left in her pocket to spend on other things, say, shoes and stockings for the children, and consequently

will be giving less employment to the knitters of Nottingham and the shoemakers of Northampton. Their industry will be artificially depressed in order that the industry of the silk weaver may be artificially uplifted.

Is it just that the State should take away employment from one man and give it to another? The very foundation of civil justice is the equality of all men in the eye of the law. We violate that fundamental principle of equity if once we allow our Government to pick out some men here for favour and some men there for injury.

This point is so important that it is worth while to press it a little further. In the case here dealt with two people are injured for the benefit of one. First, the woman who wanted a silk dress is compelled to pay an extra price for it, and is consequently deprived of the shoes or stockings which she wanted for her children. Secondly, the Nottingham knitter or the Northampton shoemaker is deprived of an order. The one person benefited is the English silk weaver, who gets an order, not on the merit of his work, but by virtue of the interference of the Government. The governmental machine, for which all citizens pay, has been used solely for the benefit of one citizen. In order to give employment to one favoured individual, cabinet ministers, government clerks, and customs officials have all been engaged in robbing not only the woman who wanted the silk dress, but also the tradesmen she would have employed if she had been allowed to buy the dress at a lower price. No moral defence for such arbitrary injustice is ever attempted. The moral issue is slurred over, and stress is laid instead on the false assertion that if people within a country are compelled to deal with one another, instead of with foreigners, there will be more employment for all. It has already been pointed out that if this doctrine were true for a country, it would also be true for each separate town or village, and finally for each separate human being. In a word, the protectionist argument, logically carried out, lands

us in the absurdity that the best way to increase employment is for each individual to supply all his own wants by his own labour.

An argument that ends in such an absurdity has obviously some serious flaw. The flaw is due to the inability of the protectionist to see that the purchase of goods with money is only one half of a double transaction. The woman who bought the silk dress must have obtained the money from somewhere. Assume that it came from her husband! But where did he obtain it? If he was in business, say as a cotton-spinner, he would obtain it by selling the product of his mill. Thus the real transaction which took place was an exchange of so many pounds of cotton yarn for a silk dress. And this is what always takes place. Every exchange of goods for money implies and compels another exchange of money for goods. The seller of the silk dress is not of course the purchaser of the cotton yarn. The use of money makes that crude form of barter unnecessary. The money passes from hand to hand, each fresh holder of coin or paper using it to acquire the goods—the good things—he mostly needs. But however long the chain may be, at each end is a piece of goods, and these two pieces are effectively bartered for one another.

As soon as this is realised we are able to see that when an Englishwoman buys a French silk dress some English goods must be sent abroad to pay for it.

To further illustrate the argument take as a concrete example the importation of woollen yarn from France. This used to be a large and flourishing trade, and the protectionists used to ask why French yarn should come into this country while some Bradford spinners were standing idle. In order to answer that question, let us look at the other side of the picture, and we find that while on the one hand we imported yarn from France, on the other hand we exported yarn to Germany. I happen to have had the pleasure of meeting some years

ago two prominent citizens of Bradford, each engaged in one of these branches of the trade. They were close friends and they met almost daily. Yet the one who was a spinner sold his yarn to Germany, and the other who was a weaver bought his yarn from France. The explanation was that the spinner could get a better price in Germany for the particular yarn he produced than he could get in England, while the weaver found that the best yarn for the particular cloth he made was spun in France. Both these gentlemen were carrying on a profitable business; both were employing English labour. Their case is typical of much of the trade carried on by the inhabitants of these islands. Constantly we find that men who are neighbours, and who might, in the judgment of an outsider, be doing business with one another, prefer to trade with foreigners because both secure higher profits by doing so, and consequently can afford to pay higher wages. We are bound to assume that they know their own business best. If therefore the Government by its interference compels them to abandon their foreign business in order to trade with one another, each will sacrifice a more profitable trade for a less profitable trade. There will be a net loss to the nation.

As the point here involved is of supreme importance let me give another concrete illustration. Some years ago I had the pleasure of visiting in Scotland the works of a linen manufacturer who made fine damask table-cloths which he sold abroad. He gave me his own experience of the value of free trade. A few years earlier he had been offered some beautifully spun Belgian yarn at a slightly lower price than he was paying for Irish yarn of inferior quality. In the interests of his own business he could not possibly refuse to buy this Belgian yarn—much to the indignation of the Irish spinners with whom he had previously been dealing. If a protectionist government had been in power, and dependent upon the

Irish vote, we may be certain that a duty would immediately have been clapped on this Belgian yarn. As a result, Belgian spinners, unable to sell their yarn to the Scottish manufacturer, would have sold it to his rivals in Germany or France. They, being thus provided with the best yarn, would have turned out the best tablecloths, and presently the Scotsman would have found his business slipping away. As his business declined, so would his orders for Irish yarn decline. Thus even Irish spinners themselves would not have gained in the long run by this policy.

What actually did happen was this. The Belfast spinners, knowing that under our free-trade system as then established it would avail them nothing to go whining to Parliament for help, bethought them whether they could not help themselves. Two of them promptly started off for Belgium, and there discovered that the secret of the excellent quality of the Belgian yarn was the employment of a new machine made in England. They at once bought these new machines, set them up in their mills, and within a few months were able to supply the Scottish manufacturer with yarn every bit as good as the Belgian yarn, and made at an even lower price.

One more illustration of a somewhat different character, but equally instructive! In the height of the tariff reform controversy a London varnish manufacturer called on me, and in the course of conversation remarked that the Germans were sending varnish into London at 2s. 6d. a gallon. 'They can send as much as ever they like of that stuff,' he added, 'and I shall never grumble, for I am selling my varnish in Germany at 10s. a gallon, and the Germans pay the duty.'

Plenty of similar detailed illustrations can be given from other trades of the way in which the free importation of foreign goods benefits British industry, not only by enabling every manufacturer to supply himself with

the materials he requires at the lowest cost and of the best quality, but also by stimulating enterprise, and by assisting us to concentrate our energies on the most profitable trades.

In places of this elastic and bracing system it is proposed by protectionists that we should copy from foreigners what is amusingly called a system of 'scientific tariffs.' During his campaign in 1903 Mr. Joseph Chamberlain more than once declared that he did not intend to tax raw materials. He did not explain what he meant by raw materials except as regards one or two articles. Coal was one of them. Yet several foreign countries used to put an appreciable tax on coal. In addition to taxing coal, the United States at that time taxed raw wool, hides, lime, and many other articles which most people would regard as raw materials. Germany—the very home of tariff science—taxed slate and rough timber. The truth of course is that none of our so-called tariff-reformers have ever thought out what they mean when they say that they will not tax raw materials. In reality everything is a raw material and everything is a manufactured article. What is a raw material to one man is a manufactured article to another. The real question is which of the two are we going to sacrifice?

As a further illustration of the impossibility either of avoiding, or of solving, on protectionist lines the problem of raw materials, it is worth while to refer to Mr. Balfour's statement on 16th May 1903, when trying to console Mr. Chaplin for the repeal of the corn tax of 1902. Mr. Balfour then said that 'the shilling duty was not merely a trifling tax on corn, but a tax on the raw material which farmers use in their industry.' Yet it was an essential part of Mr. Chamberlain's scheme to put a 2s. tax on what Mr. Balfour so emphatically described as raw material, and for many years it was Mr. Chamberlain's policy that dominated the Unionist Party. In order to get over the difficulty created by the farmer's

objection to a tax on the raw materials of his industry, it was at one time proposed that provision should be made for a rebate of the tax in the case of cereals intended for use as farm feeding-stuffs. Dealing with this proposal the present writer, speaking in the House of Commons on 8th June 1909, ventured to ask the protectionists whether they intended to go to the country with the cry, 'The food of your children shall be taxed and the food of your pigs shall be free.'

During and since the war an entirely new scheme of State interference with the corn producer's industry has taken the place of the former programme, and the most influential member of the protectionist party has been engaged as Chancellor of the Exchequer in reversing the proposals put forward by his father. Instead of subsidising the corn producer at the expense of the corn consumer, the State is now engaged in subsidising the consumer at the expense partly of the producer, partly of the taxpayer, and partly of the national debt. Such a complete change sufficiently indicates the difficulty of finding any coherent principle in political schemes for interfering with economic liberty.

It is necessary to say a few words about a fallacy much favoured by protectionists—the large-production fallacy. We are constantly told by protectionists of the pseudo-scientific type that manufacturers in a protected country, being secure of their home market, and in addition having free entry into our market, can lay themselves out to produce on a larger scale than we can, because they have a larger total market open to their products. They can thus secure the economies that result from large production, and can therefore produce more cheaply than we do. But what are the economies of large production? They are in the main economies that result from the employment of mechanical contrivances for handling materials. A factory that works up a thousand tons of stuff a day can afford to use

machinery for many processes which have to be done by hand in a factory that works up only ten tons a day. There is also perhaps some economy in establishment charges in a large factory as compared with a small one, and the large factory will generally be able to buy its raw materials on better terms. Up to a certain point all this is both true and commonplace, though a point is sooner or later reached where an increase in size leads to no further economy and may even lead to less. The problem is a complex one, for human as well as mechanical factors have to be considered. But the issue between free trade and protection is in no way involved. In England we possess many of the largest manufacturing concerns in the whole world. There is no reason for assuming that under a protective tariff these concerns would grow larger still; it is at least possible that a tariff might stimulate the establishment of other English concerns to share the tariff-created profits. That it is easier for small men to start in business under free trade than under protection is true, because they can buy their materials and machinery at bedrock prices, and consequently require less capital. That fact is highly advantageous to this country. But there is no reason why large firms should not also flourish under free trade, and as a matter of fact they do.

One of the principal causes of the mental confusion on which protectionist theories flourish is the habitual use of phrases which themselves suggest a false conception. For example, the phrase 'So-and-so wants work' is so common that we unconsciously forget that what is really wanted is not work but wage. Nor is the value of any wage finally determined by the monetary tokens in which it is measured. A wage of a thousand shillings a day would be of little service to any one if paper shillings were printed off by the million as Russian roubles have been. Real wages are not money but the things that the wage-earner wants to buy. It is

only by multiplying these things that the existing population of our country can be rendered more prosperous. Therefore until we are all agreed that the time has come when we should aim at diminishing the population of our little island, we ought so to guide our economic policy as to secure with the least effort those commodities which our people need for their sustenance and enjoyment.

Free trade enables us to add to these commodities, which are the real wages of labour, by placing at our command the more fertile soil, or the more favourable climate of other lands. The wheat grown on the broad and sunny plains of Argentina is cheaper and better than the wheat grown in the moisture-laden atmosphere of England. It yields cheaper and better bread. But if bread be cheaper, every housewife in the country will have more money left to spend on other things, and by buying these other things she is giving employment to British labour in factory and in workshop.

Here again is a point which is too often overlooked. Our minds are so dominated by the very obvious and visible distinction between employers and employed, that we forget that the person called the employer is in reality only one link in the endless chain of production. If we look at our industry as a whole we see that employers and employed are one, for we are all employing one another. When a workman buys a pint of ale, he by that act constitutes himself the ultimate employer of some great brewery. When his wife buys a pair of stockings, she by that act constitutes herself the employer of the hosier, and through the hosier she becomes also the employer of spinners and carders, engine-drivers and shipowners.

When once this essential fact is realised we are able to see how the cheapness of foreign goods increases employment in this country, for the less we pay for any article the more can we afford to spend on other articles.

There is no limit to human desires. As soon as one want is satisfied, new wants arise. Within the last fifty years there has been a striking development in industries that minister to the refinement rather than to the mere maintenance of life. The desire for amusement and the power to satisfy that desire have created a whole new field of employment. The number of theatres, music-halls, and cinemas is ever growing; whole shops are devoted to the sale of requisites for football and cricket, cycling and motoring, fishing and photography. On the other side of life there has been an equally striking increase in the amount of labour employed in the alleviation of human suffering. Possibly some of these developments are not good in every detail, but on the whole the change is good. We do not come into the world to eat bread and to die.

I may be met with the reply that, while these beneficial changes were taking place, suffering may have been caused in particular industries that were squeezed out of existence. But let any one who puts forward that argument ask himself whether it is possible to secure progress on the one hand without decay on the other. The two are inseparable. The old leaves of the oak fall off and new leaves appear; old industries die down and new industries grow up. This at least we can say of the free-trade system, that it facilitates the growth of the better industries, while leaving the worse to die a natural death. Protection, on the other hand—since it depends for its working on the arbitrary whim of a government official or of a parliamentary majority—may often keep alive an old industry when it has outlived its time, and may thus prevent the birth of a new industry better suited to the needs of the nation.

For example, some years ago there was an industry of straw-plaiting in the neighbourhood of Luton. That industry was killed by the importation of cheaper plait from China and Japan. A protectionist government

would certainly have stopped the import of this cheap plait in order to keep alive the Bedfordshire plaiting industry. But what happened under free trade? The cheapness of this foreign plait gave an immense impetus to the hat-making industry which is dependent upon straw plait. As a result, girls whose mothers or elder sisters used to earn 5s. to 8s. a week as straw-plaiters, were able to earn as hat-makers 15s. to 25s. a week, and Luton became one of the most thriving towns in the Kingdom.

The general moral of this illustration is sufficiently obvious, but there is a particular point to be emphasised. When the cheap foreign plait came in, the Bedfordshire girls were doubtless told by their employers that they must accept lower wages. They were able to refuse to do so either because their parents could afford to keep them, or because they could get better work elsewhere. As a matter of fact many of them got work as bookbinders. In the same way when cheap goods come in from Germany, our workpeople engaged in the industries affected can resist a reduction of their wages because alternative employment is open to them in other industries. Indeed, it constantly happens that the decay of a particular industry is due to a rise of wages in another industry in the same neighbourhood. For example, earlier in this century there was a considerable decline in the weaving industry in the Bradford district, and the main reason was that the women who used to weave took to staying at home because their husbands were earning such good wages as engineers that there was no necessity for the women to go out to work.

There would be fewer foolish schemes proposed with the idea of increasing employment if their authors would first reflect that it is useless to create work unless we also create the wealth to pay for it, and that we cannot increase the total volume of employment except by increasing the total wealth of the country.

How then are we to add to our national wealth?

In the first place, let us take care to accept all the wealth that other countries are willing to give us. If they are foolish enough to spend their taxes in order that we may have cheap goods, do not let us commit the still greater folly of refusing that free gift.

In the second place, we have to improve our methods of production by employing the best machinery, and by utilising to the utmost the discoveries of science. The notion of some people that the employer alone benefits by improvements in methods of production is almost too childish for serious consideration. On the contrary, increased power of production—in countries where competition is free—must mean an increased output of goods, which will be followed by a decline in price, and that in turn by increased consumption. The mass of the nation thus receives, in the majority of cases, nearly the whole, and sometimes quite the whole, benefit of improved methods of production. It is by this cheapening of production that the standard of comfort of even the poorest classes is being continually raised, so that they are enabled by their extended purchases to give increased employment to one another.

The third remedy is one that lies within the grasp of each of us. It is simply the old-fashioned remedy of hard and honest work. Every man, whatever his trade, who works to the best of his ability, whether of brain or muscle, is conferring a solid boon on the unemployed which no one can take from them. He is creating additional wealth, and that wealth must inevitably serve for the employment of additional labour, for there is no other way in which it can be used.

CHAPTER VII

THE BASIS OF FREE TRADE

In the controversy between the free-trader and the protectionist there are at any rate two points of common ground. Both disputants believe that trade is beneficial to a country, and both recognise that the final test of any commercial policy must be the welfare of the nation. The protectionist does not want to destroy trade, nor even to reduce its total volume; he only wants to divert trade into channels which he thinks would be more advantageous to himself or to the nation. The advantage to himself may be obvious, but if he be an honest man he is seeking not this alone, but also what he believes to be the advantage of the nation. The free-trader is equally solicitous for his country's welfare, but he holds that the best way to benefit a country by means of commerce is to leave individual citizens free to buy and sell where they choose. The protectionist would deny them this liberty, in the hope of attaining by restriction some great national advantage which he believes cannot be attained through freedom.

The case for free trade is thus essentially part of the general case for individual liberty. It does not, of course, follow that those who accept individual liberty as a general rule of policy are bound to accept free trade, but it does follow that they will be inclined to do so, until they are proved to be wrong. This is one reason why free trade has been more generally accepted in England than on the Continent. Englishmen have known liberty longer than the French or the Germans

have known it, and it is more deeply ingrained in our character. Serfdom and villeinage were abolished in England some centuries before they disappeared from the Continent. Religious liberty and political liberty were both secured by England long in advance of most Continental countries. Need we then be surprised to find that England is ahead also in commercial liberty? Nor is it a matter of accident that Holland, a classic land of liberty, long stood almost alone on the Continent as a free-trade country.

How, then, are we to explain the mental attitude of the English protectionist? He lives in a land of liberty, in a land where the State is mistrusted and the rights of the individual are—or were—regarded as sacred, to an extent that is incomprehensible to the average Frenchman and German. And yet this English protectionist demands that the State should be called upon to regulate the commerce of the country, and that the individual should be deprived of the important liberty of buying what he chooses where he chooses. In former days, it may be remarked, the English protectionist objected not only to the liberty of buying but also to the liberty of selling. Countless Acts will be found upon the Statute Book prohibiting the export of this commodity or that, lest some foreign country should receive advantage from the good things that we had to sell. The modern protectionist is built on different lines. His great ambition is to prevent his own countrymen from enjoying the good things that other countries are able and willing to provide.

A good example of the earlier type of protection is furnished by the following extract from the *Sunday Times* of 31st December 1826, which was reproduced under the heading 'Ninety Years Ago' in the *Sunday Times* of 31st December 1915 :—

'Mr. Hume presented a petition from machine-makers in Manchester, complaining that the prohibition to export machinery had reduced them to great distress. The law

was extremely restrictive in its provisions, prohibiting the exportation of every species of tool and machinery; but by an alteration of the law many poor artisans, instead of emigrating, would find subsistence and employment at home.'

The object of prohibiting the export of machinery was of course to prevent foreign countries from using English-made machinery to compete with English industries which used that machinery, *e.g.* the textile industries. This policy of preventing the expansion of one home industry in order to provide protection in advance against potential future risks to other home industries is at least as defensible as more modern forms of protection. That it did not produce universal prosperity may be inferred from the very next passage reproduced from the *Sunday Times*' issue of ninety years ago :—

'The King's Bench, Fleet, Marshalsea, Horsemonger-Lane, and Whitecross-Street prisons are crowded beyond all former precedent with poor abject creatures, driven thither by sheer poverty.'

Nor did the establishment a few years later of freedom to export machinery produce the disaster to our textile industry which the cotton masters of that period had apparently feared. We have supplied a large part of the world with textile machinery, but Lancashire still maintains her supremacy in the cotton industry. The following striking figures are given by Mr. Frederick W. Tattersall in *Sperling's Journal* for March 1920, as approximately accurate for the purpose of comparison :—

COTTON INDUSTRY OF THE WORLD IN 1920

	Spindles.	Looms.
Great Britain .	58,000,000	791,000
United States .	34,650,000	710,000
France . . .	9,300,000	181,000
Germany . .	8,200,000	190,000

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COTTON INDUSTRY OF THE WORLD IN 1920—*continued*

	Spindles.	Looms.
India . . .	6,650,000	116,000
Russia . . .	8,000,000	213,000
Italy . . .	4,500,000	140,000
Japan . . .	3,500,000	40,000

It is estimated that throughout the world there are about 150,000,000 spindles and 2,800,000 looms.

This triumph of the cotton industry of Great Britain has been achieved under a complete system of commercial freedom. For the past seventy years at least the masters and men employed in the cotton industry have been left free to do the best they could for themselves in competition with the whole world, and they have justified that freedom by building up, for the benefit of the whole nation as well as for their own benefit, a magnificently prosperous industry. Except for the humidity of the Lancashire climate the cotton industry of England possesses no great natural advantage such as our coal industry enjoys. The continuous expansion of this great industry is almost entirely due to the intellectual enterprise and manual skill of the persons engaged in it. Nor has the world suffered any injury from the success which Lancashire has achieved; for millions of persons in all parts of the world have been able to enjoy the advantage of purchasing at moderate prices the wonderful products of Lancashire mills.

The modern protectionist is quite willing that the rest of the world should enjoy this gain from English enterprise; what he objects to is our enjoyment of any reciprocal advantage from foreign enterprise.

To understand this curiously perverted form of patriotism it is necessary to get at the back of the protectionist's mind. When that has been done it will be found that he always looks at every economic problem from the point of view of the seller or producer, and not from

the point of view of the buyer or consumer. The protectionist argues that unless a man sells he cannot buy, and unless he produces he cannot consume, for it is only by producing, and by selling what has been produced, that a man earns money with which to buy what he wants to consume. Therefore, says the protectionist, let us assist the producer and all will be well. The fallacy here hidden is not hard to discover. For this argument, which lies at the root of the protectionist case, ignores the elementary fact that it is useless to produce articles for sale if nobody wants to buy them. On the other hand, if there are plenty of willing buyers there will be no lack of eager producers. If, then, the State assists the producer merely because he is a producer, it is reversing the natural precedence, and the inevitable result will sooner or later be the production of something which nobody wants.

This important point can be made clearer if we look for a moment at the case of a man working for himself alone. He does not work merely for the pleasure of working; he works to satisfy his wants. As soon as his primary wants are satisfied he either ceases working or devotes himself to other work in order to satisfy some fresh want. The essential point is that the want precedes and determines the work. In other words, the consumer gives the order; the producer has only to obey. It is impossible by any governmental contrivance to alter this precedence, for it depends on the eternal facts of human nature. Yet the attempt is often made, for it is always more exciting to the politician to be doing something that strikes the imagination than to wait quietly for human and social forces slowly to work to a solid result.

As an example of what happens when politicians try to evade the fundamental law that Want precedes Work, take the past history of the French sugar industry. The object of the French politician for half a century at least has been to encourage the sugar industry in order

to make work for the people engaged in it. He began his operations by shutting out all sugar that came from other countries. The effect was to diminish the supply of sugar in the French market, and consequently to raise the price. As a result more Frenchmen were induced to embark upon the sugar industry. After a short time, however, the increased quantity of sugar produced in France was more than the French market could absorb at the high prices prevailing. The politician was then in a difficulty. If he did nothing more prices would fall, and many of the people who had embarked in the industry on his promise of protection would be ruined. That might be awkward for the politician, especially if he had received shares in sugar concerns in return for his promises. Therefore something had to be done to get rid of the sugar without lowering the price in the French market.

Happily there was an excellent market across the Channel, open not to Frenchmen only but to all the world. Any amount of sugar could be sold there—at a price. That price was a good deal lower than the French producer liked, but the difficulty could be surmounted if the French politician would give, out of the taxes paid by the French people, a bounty on all sugar exported from France. This was done, with the result that the French sugar industry became still more profitable to those engaged in it. More capital was put in, more sugar was produced, and the price began again to fall. Then the producer said he must have a bigger bounty, and the politician gave it. The process continued till the cost to the French taxpayer reached four millions sterling a year, when even the French politician grew alarmed. It was a big price to ask the French people to pay in order that France might have a costly sugar industry and England might have cheap sugar.

Meanwhile, the English politician had for many years been wisely engaged in doing—nothing. He had observed

with pleasure the decreasing cost of sugar, because he knew that the cheaper sugar became the greater would be the popular consumption of this excellent food. He also knew that, as soon as the English people had fully satisfied their desire for sugar, any further fall in price would enable them to spend more money on something else. Human wants are ever expanding, and when one is satisfied others demand satisfaction. An enlarged home market would thus be opened to English manufacturers, and there would be increased activity in English factories and workshops. This general expansion of English industries more than compensated for the particular loss inflicted on the persons engaged in the English sugar industry. In the case of sugar there was a special reason for satisfaction at the falling price, for sugar is the raw material for a further manufacturing process, and as this raw material grew cheaper so did the industries dependent upon it rapidly expand, till they absorbed far more capital and labour than were ever engaged in the sugar industry itself.

It may be said that this free competitive process, though beneficial to the nation, is hard on the particular industry that is ruined by foreign competition. Quite so! But the whole point under consideration for the present is the question whether it is better for the nation that the consumer or that the producer should be studied. The above analysis shows that the result of studying the producer is to involve the nation in a ruinous cost for the benefit of an artificial industry; whereas the result of studying the consumer is a general increase of well-being and a springing up of new industries. From the national point of view there can be no question which is the right course to pursue. The hardship to the particular industry that goes under cannot be avoided except at a cost that ought not to be imposed on the nation. Such temporary hardships as these accompany every industrial change. Men are thrown out of work by changes in fashion or by

the invention of new machines quite as often as by foreign competition. Yet even protectionists can see how foolish our ancestors would have been if they had prohibited the steam locomotive in order to protect the coach-drivers, and how much more foolish we should be if we tried to compel ladies to wear crinolines for the benefit of the makers thereof.

The only practicable policy is to leave the producer to take care of himself. Occasionally, in the changes of fashion and of industrial methods, he will suffer hardships, but in the long run these hardships will be fewer and less severe if he is left to look after himself than if he is made the plaything of a government department. If he is thrown upon his own resources, his wits will be sharpened and he will learn to look ahead to see what changes are coming, and to prepare for them. When he is threatened with a change of fashion he will meet it by producing something that will satisfy the coming demand; when threatened with increased competition he will meet it with increased efficiency. If, on the other hand, the State undertakes to protect particular industries against the results of competition, the immediate effect is to put a premium on inefficiency, and if the process is carried to its logical conclusion the efficient industries will all be taxed out of existence in order to provide for the continuance of those which are inefficient.

The root of the matter is that the consumer must take precedence of the producer because it is the consumer who gives the order, and the producer who has to obey. As long as the consumer is prosperous it is certain that the producer will be busy. If once this essential fact is grasped most of the protectionist case will be seen to crumble to pieces.

It is worth while, however, to examine in detail one or two of the more specious arguments urged by the protectionists. And of all their arguments the most specious is the assertion that they want to encourage

home industries. The word home suggests associations of sentiment that are apt to make us forget the obligations of reason. Yet the moment we apply the test of reason to this taking phrase we discover that it conceals an absurdity, and we are driven to the conclusion that the best way to encourage home industries is to leave individual merchants and manufacturers free to pursue those industries which they find most profitable.

The idea that we can promote home industries by shutting out foreign goods is a pure delusion. For if we prevent the import of foreign goods we simultaneously prevent the export of those British goods that had to be sold abroad to pay for the foreign goods imported. We are thus destroying one British industry in order to create another. There is no national gain in such a proceeding. Indeed, there is a loss, and a necessary loss. For our merchants and manufacturers would not have established a system of exchanging, let us say, English calico for Swedish matches unless they had found that there was profit in the exchange. They could not have found that profit unless we had some special advantages in the production of calico and the Swedes some special advantages in the production of matches. These advantages are sacrificed if we insist on producing matches for ourselves, and devote to the match industry part of the labour and capital that was previously employed to greater profit in the production of calico. It is exactly as if a village tailor, in order to encourage his own home industry, insisted on mending his own boots instead of sending them to the cobbler. He would make a bad job of them, and the time spent would be taken away from the more profitable occupation of his own trade.

It will doubtless be noticed by the astute reader that the above argument turns on the assumption that the tailor has plenty of work to keep him busy, for if he were slack he might find it worth while to fill up his time by

mending his own shoes, even if he mended them badly. In exactly the same way the protectionist may argue that if the nation is slack, if numbers of men are out of work and capital is unemployed, it is worth while to try and encourage new industries to bring this capital and labour into employment. Of course it is worth while, but the practical question is, How can that encouragement best be given? The usual protectionist method is to put duties on foreign goods so as to raise the price of these goods, and thus to increase the profit of manufacturing them at home. By this means it is undoubtedly possible to develop almost any industry that the Legislature chooses to encourage. If the price of oranges were raised by a tariff on Spanish oranges to, say, ten shillings apiece, it would probably pay British fruit-growers to produce a few oranges in hot-houses for wealthy people to buy. The waste of national energy and national coal would be so ridiculous that even protectionists have never asked for a protective duty on oranges.

Of the practical difficulties that arise directly the State interferes with the free course of trade an example is furnished by the story of the shilling duty on corn imposed during the South African War. This duty was imposed not for protective but for revenue purposes, and being so small seemed unlikely to do any appreciable harm. But the duty necessarily affected the very important milling industry of Great Britain, which had expanded immensely in the half-century since the abolition of the Corn Laws. Grain is the miller's raw material, and in order to avoid injuring the milling industry the Government of the day imposed a higher duty on imported flour than on imported grain, and also empowered the millers to claim from the customs a drawback on exports, *i.e.* a refund of the duty paid on the imported grain. In theory all these arrangements were equitable; but in determining the actual figures the Chancellor of the Exchequer was confessedly influenced by a desire to give

further encouragement to the British milling industry so as to secure a more plentiful supply of offals for British farmers. What actually happened was that the drawback on exported offals was so large that it paid British millers to sell their offals to Danish rather than to British farmers, so that in effect the British dairy farmer was being taxed to give an artificial advantage to his Danish competitor.

This illustration shows the danger of attempting to encourage industries by protective duties even on the smallest scale. The utmost that can be done is to encourage one industry at the expense of other industries. In reply it is often alleged that foreign countries have demonstrated the practical value of this system. There is absolutely no evidence to support this allegation. It is undoubtedly true that particular industries have been encouraged by protection; but that proves nothing. What has to be proved is that the sum-total of national industries in protected countries is greater than it would have been without protection. There is obviously no proof of this, nor can there be any proof. Of necessity we are thrown back upon abstract reasoning and upon such indications as we can obtain of comparative prosperity in different countries. It is especially in new countries that this argument in favour of protection is most strongly urged. Even some free-traders have been found to urge that here is a case where free trade may be temporarily suspended in order to encourage the development of industries that otherwise would not be able to make head against the competition of well-established industries in old countries. The conclusive answer to this argument is to be found in the experience of the United States. Within the boundaries of the United States there are no tariff lines. The south has no protection against the north, nor the west against the east. Yet factories are constantly springing up in the south and centre and west, and are competing successfully with

the well-established factories of the eastern states. It is the movement of population that determines the movement of industries in a new country, for manufactures cannot be successfully established except in places where the population is fairly dense. In order to obtain a dense population in a new country the first thing to be done is to develop those industries which are naturally most profitable. Population will thus be attracted, and in turn will attract manufacturers. No contrivance can effectively alter this order of development. As a matter of fact, the manufacturing industries in thinly-peopled countries languish in spite of favouring tariffs.

In the final resort the growth of industries must depend upon the convenience for obtaining raw materials and the intelligence and activity of the population. Even a Carnegie, aided by a McKinley tariff, would make nothing out of the Sahara Desert. Protectionists themselves see the advantage of free raw materials. The German tariff before the war pressed very lightly on raw materials, and many were entirely free. In France and Italy there was a growing movement for the creation of free ports, where materials could be landed free of all duty and manufactured on the spot. We in England made our whole country into one free port. The results amply justify our policy. We obtain raw materials from the uttermost ends of the earth. We carry them in our own ships thousands of miles across the sea. We work them up into new commodities of increased value, and these we send back again over the sea, after reaping a substantial profit for our merchants and manufacturers, for our bankers and underwriters and shipowners, and for a vast population of artisans and operatives, seamen and dock labourers. Even American capitalists realise the practical advantages of our system, and have established a great sewing-machine factory near Glasgow, the new Westinghouse factory near Manchester, and the great engineering works at Erith and motor works at Cork.

Before the war, largely as the result of protectionist propaganda, the idea had gained ground that England was beginning to grow decadent and British trade was on the road to ruin. We were constantly told that we were ceasing to be a nation of manufacturers and producers, and becoming merely a nation of merchants and middlemen. That there was not even a plausible excuse for these statements can be seen at once by an examination of our trade statistics for the earlier years of the present century. In the ten years ending 1913 the value of the exports of United Kingdom produce increased by £224,000,000. Of this total increase no less than £168,000,000 was due to the increased export of manufactured goods.

In order to compare this progress with that of our principal rivals, it is necessary to take the nine years ending with 1912, which is the last year for which complete foreign figures are available. In those nine years the United Kingdom increased its exports of its own manufactures by £142,000,000, as against £126,000,000 in the case of Germany and £67,000,000 in the case of the United States.[1] Alone among the great manufacturing nations of the world Great Britain in the same period increased her exports even more rapidly than her imports, thus strengthening by the export of capital her financial position abroad. This hardly looks like decadence.

Turning next to shipping we find an even more striking comparison. The figures in this case can only be brought down to the year 1911. In that year the steam tonnage owned by the United Kingdom was 10,718,000 tons, and that owned by Germany was only 2,514,000 tons.[1] In the previous eight years British steam tonnage had increased by 1,966,000 tons, while German steam tonnage had only increased by 740,000 tons.[1]

This comparison is sufficient to show the rate at which

[1] See Report by the Chamber of Shipping of the United Kingdom and the Liverpool Steamship Owners' Association, July 1917, pp. III, 33, 49.

we were gaining ground over the only country which in the least degree counted as a shipping rival to the United Kingdom. Moreover, it is important to note that on the outbreak of war a very large proportion of our shipping was new. No less than 7,000,000 tons were added in the ten years between 1904 and 1913, so that the British mercantile marine was largely made up of vessels of the newest and most economic type.

It is these facts more perhaps than any other economic facts which enabled Great Britain to play such a commanding part in the war. At the outbreak of the war British shipowners owned very nearly half the total steam tonnage of the whole world. They were carrying upwards of 90 per cent. of the trade between the United Kingdom and the rest of the Empire, 75 per cent. of the trade between British oversea possessions and foreign countries, 56 per cent. of the United Kingdom's trade with foreign countries, and practically all the United Kingdom's coastal traffic. They had achieved this magnificent triumph solely by their own efforts, aided by the economic system of their country. From the State they received no help, yet they proved that they were able to compete successfully with shipowners of foreign countries aided and protected by their Governments.

Most foreign countries confine their coastal trade to their own flag, with the result that their merchants and manufacturers have to pay more for the coastwise carriage of goods than they would pay if the trade were left free. In our own country this privilege for the domestic shipowner was swept away when the old Navigation Laws were abolished in 1849. The trade in all our ports was then thrown open to the shipping of all the world. So far from suffering any disadvantage, our shipping industry has since expanded with immensely greater rapidity than before, and has won for itself much more than it previously received by favour of the State.

There are, however, protectionists who will argue in reply that although our industries have enormously developed, yet we have not attained the ideal of self-containment. Why self-containment should be an ideal nobody seems able to explain. No sensible man would dream of trying to do for himself everything that he wanted done. If he attempted to carry out this ideal he would quickly be houseless and naked, and probably starving. It is for the protectionists to explain why in this matter the nation should aim at doing what would be madness in the individual. So far as these little islands are concerned, to make any similar experiment would be equal madness. If we were to shut out from the British Isles the goods that we obtain from abroad, more than half of our population would be instantly reduced to starvation. Take, for example, the single article wheat. In the early part of last century the Legislature tried the experiment of encouraging the cultivation of wheat in order that we might not be dependent upon foreign wheat supplies, and also in order that the members of the Legislature who owned wheat lands might get higher rents. That experiment began in 1815. It was still in full force in 1821. Both in 1820 and in 1821 there were excellent harvests throughout the Kingdom, yet in both years it was necessary to import foreign wheat. The population then was just half what it now is. Protection, therefore, failed to produce off our own soil half the wheat we should now require. Surely it is not worth while to try the experiment all over again.

Even the protectionists begin to see this, and their new cry is that we are to attain economic self-containment by enlarging our conception of the word 'self.' We are no longer to think of the United Kingdom but of the Empire. The idea is ingenious, but it will not bear examination. Take the case of cotton. Before the war we bought very nearly the whole of our raw cotton from

foreign countries. It was a valuable purchase. We paid some £70,000,000 a year for it. We worked it up, and used all that we wanted in order to provide our own enormous population with shirts and sheets and cotton frocks, and we sold the balance abroad for about £120,000,000. That was not bad business, and protectionists, who are always prating of the importance of national industries, can hardly want to interrupt such a flourishing industry as this. Yet it cannot go on unless we get our cotton from foreign countries. The Empire cannot at present be made to produce enough cotton of the quality that we require. Possibly in the future there may be more cotton grown within the Empire. But, in any case, it must be fifty years or more before we can get from within the Empire as much cotton as we require. Therefore the ideal of economic self-containment must be postponed for, at any rate, fifty years. Probably by the end of that time people will have forgotten about it. Fashions change in national follies as well as in ladies' hats.

There is more plausibility in the proposal to draw all our wheat from British possessions, for in Canada alone there appears to be a sufficiency of good wheat land to supply the whole of the United Kingdom. But where are the people who are to grow the wheat? The population of Canada is rapidly increasing, but even at the present rate of increase it will be many years before the Canadian farmers are sufficiently numerous to supply all the wheat that is now grown for us by tens of thousands of farmers in the United States, in the Argentine, in Hungary, Roumania, and Russia. Assuming, however, that Canada with some assistance from the scanty population of Australia, and some intermittent assistance from India, could supply us with all the wheat we want, the question still remains, In what way should we be better off than we are now? In time of peace the main difference would be that we should be dependent on a

more limited range of climates, and this would be a serious disadvantage. A return was issued a few years ago by the Board of Trade showing in detail the countries which supply us with wheat, and showing how much each has furnished during the previous thirty years. The most striking fact about this table is the way in which the supplies from particular countries vary from year to year. That means that when there is a bad harvest in one country we can make good our supplies from other countries. We should lose this enormous advantage if we tied ourselves up to our own possessions, for Australia and India certainly could not make good a failure of the harvest in Canada.

The only other argument for protection with which it is necessary here to deal turns upon the question of retaliation. It is the strongest argument of all the arguments for protection, because when honestly used it is not an argument for protection at all. The contention is that England ought to adopt protection in order to compel other countries to adopt free trade. As soon as this purpose had been served England would presumably again abandon protection. Thus stated, the policy of retaliation certainly has a superficial attractiveness. We all of us possess, in greater or less degree, the fighting instinct, and when we are hit we want to hit back. Other countries undoubtedly injure us from time to time by their protective tariffs ; if we retaliated with a protective tariff of our own perhaps they would learn wisdom. At any rate we should have the pleasure of hitting back. That pleasure is not to be despised, but a prudent man before indulging in it will count the cost.

Suppose, for example, that we decide to retaliate against America for the injury done to Bradford manufacturers by the American tariff on woollen goods, how should we begin ? We want to hit back, but whom are we to hit ? We clearly cannot hit the authors of this tariff, namely, the American woollen manufacturers.

We must, therefore, hit some other American industry, say the farming industry. This can be done by putting a heavy duty on American wheat. But that will not hurt the American woollen manufacturers in whose interest our woollen goods are shut out. It will hurt first the American farmer, and secondly the British consumer, including the very operatives employed in that Bradford industry which we want to help. Now it may happen that the American farmer, when we tax his wheat, will rise up in his majesty and tell the American woollen manufacturers that the tariff on British woollens must go. In that case we shall have accomplished our purpose. But it may also happen that the whole American people may reply: 'This is an attempt on the part of Great Britain to interfere in our internal affairs. As free-born American citizens we decline to stand it.' And then, instead of abolishing the duty on woollens, they will proceed to clap extra duties on all the British goods that now enter the United States. In that case our last state would be considerably worse than the first. We should either have to beat a hasty retreat or else to submit to a far greater obstacle to our trade than the one from which we had tried to escape.

The policy of hitting back is therefore clearly a risky one, and before we ask the nation to run the risks involved we should have to make up our minds in whose interest this national risk is to be incurred. Why should the nation enter upon a commercial war for the sake of Bradford rather than for the sake of Sheffield or Manchester? To attempt to fight all three issues at once—wool, steel, and cotton—would be to court disaster. Yet it is impossible to fight for any one of the three without risking a serious injury to the other two, as well as to the rest of the nation. Parliament would have to decide to which industry the preference was to be given, and one can imagine the kind of argument that would be employed to stimulate the intelligence of members

of Parliament anxious to give a wise vote and to become wealthy while doing so. The corruption which is inseparable from the protectionist system would invade the House of Commons the very moment we embarked upon a tariff war.

And looking at the question broadly, what prospect is there that our backsliding towards protection would lead the rest of the world to free trade? The tariff war that Germany provoked with Russia, Austria, and Switzerland did not offer much encouragement to England to join in the same folly. It may be replied that England is in an exceptionally strong position; that she is the largest buyer in the world, and can, therefore, dictate the terms on which she will deal with other countries. The argument is plausible, but to what does England owe this pre-eminently strong position? To the very fact that for fifty years she has consistently refused to risk her national prosperity by embarking upon tariff wars for sectional interests.

This whole question of retaliation was thrashed out by our grandfathers. They lived under protection. They knew by their everyday experience how protective tariffs hampered trade, and they said: 'Let us get rid of our tariffs, even if other countries are foolish enough to keep theirs.' This was the line taken in the famous Merchants' Petition presented to the House of Commons by the cities of London and Edinburgh in 1820. Here are their words:—

'Although as a matter of mere diplomacy it may sometimes answer to hold the removal of particular prohibitions or high duties as depending upon corresponding concessions by other States in our favour, it does not follow that we should maintain our restrictions in cases where the desired concessions on their part cannot be obtained. Our restrictions would not be the less prejudicial to our own capital and industry, because other countries persisted in preserving impolitic regulations.'

The same line was taken by Sir Robert Peel in 1842 and again in 1846. Speaking in the latter year, he said :—

'I fairly allow to you that in making this great reduction upon the import of articles from foreign countries, I have no guarantee to give you that other countries will immediately follow our example. . . . Since the former relaxation of duties on our part, foreign countries which have benefited by our relaxations have not followed our example, but have actually applied to the importation of British goods higher duties than formerly. I quite admit it. I give you all the benefit of that argument.'

Later in the year 1846, on resigning office, Sir Robert Peel said :—

'I trust that the new Government will not resume the policy which they and we have found so inconvenient, namely, haggling with foreign countries, instead of taking that independent course which we believe to be conducive to our own interests.'

Again on 6th July 1849, Sir Robert Peel, speaking in reply to Mr. Disraeli, who was then leader of the protectionists, dealt at length with the question of retaliation. Here are some quotations from his speech :—

'I maintain that the best way to compete with hostile tariffs is to encourage free imports. . . . I say you will more successfully combat the disadvantages under which you labour from hostile tariffs by buying that of which you stand in need in the cheapest market. . . . No doubt it would be for our advantage, and for the advantage of the countries with which we deal, that hostile tariffs should be reduced. It is nothing but the private interest of private individuals that induces the Governments of those countries, to the manifest injury of the great body of the people, to keep up these restrictive duties. Unquestionable as would be the benefit derived from their reduction, still if that benefit cannot be obtained, I contend that by the attempt at retaliation you would aggravate your own loss.'

These quotations prove conclusively that the Minister who was mainly responsible for the adoption of the policy of free imports by this country emphatically repudiated the idea that our free-trade system should be made in any way to depend upon the fiscal policy of other countries.

Our position up to the outbreak of the Great War was far better than it was when we adopted the policy of free trade. It is not true that before the war we were being increasingly shut out of foreign markets because we had no tariff weapons to fight with. On the contrary, the tariffs of foreign countries were much lower than they were in the days of Cobden and Peel. Our exports to foreign countries had enormously increased, and fully kept pace with our exports to our own possessions. Our principal rivals were, in fact, our best customers, and they all of them bought considerably more from us than they bought from one another. These facts may perhaps fall short of the dreams of the early free-traders, or of what the modern protectionist fancies that the early free-traders dreamed; but they suffice to justify the far-seeing and patriotic policy that Adam Smith inspired, that Cobden preached, and that Peel carried out.

CHAPTER VIII

COMMERCE AND NATIONALITY[1]

Among the ultimate causes which led up to the Great War perhaps the most dominant of all was the German conception that nationality and commerce necessarily go hand in hand. Pursuing this conception the German State assisted German citizens in their trade with the citizens of other nations in the hope of strengthening itself against the rest of the world. If the trade proved profitable the riches accruing to German subjects would help to pay for more ships and guns with which to wage war when the time was ripe. Reciprocally it was calculated that a successful war, carefully planned in advance and launched at the right moment, could be used to secure increased trading facilities for German subjects, or increased control of raw materials for German industries. The evidence that this was the German attitude is overwhelming. It was indeed assumed by responsible German writers that as a matter of course commercial and national interests were parts of one whole. Thus, Herr von Jagow, in the course of the reply which he wrote to the embarrassing Lichnowsky memorandum, incidentally remarks: 'But to-day economic interests are no longer to be separated from political interests.'[2]

In pursuance of this policy of combining national and commercial interests the German nation-State thought itself entitled to plunder its neighbours for its own economic or commercial ends. Germany's policy of

[1] This chapter was first published in the *Edinburgh Review*.
[2] See *Disclosures from Germany*, p. 354.

peaceful penetration in the economic sphere was but the forerunner of the war of aggression which she launched in 1914. This policy of the German Government and of the German people has met with universal condemnation in England and throughout the British Empire. It has been equally condemned in France and Italy. In both these countries before the war Germany's peaceful penetration was a far more important factor in the economic life of the country than it was in Great Britain. Especially in Italy was German financial and industrial influence becoming a matter of grave importance. Everywhere this influence was being used not merely to secure profit for German private citizens who were adventuring their capital or using their talents in a foreign country, but also to promote the political interests of the German Empire.

That other nations are entitled to protect themselves against a nation which deliberately uses commercial means to promote national ambitions few people would question. But curiously enough in our own country the very people to whom credit specially belongs for taking the lead in exposing German ambitions and in denouncing German methods are themselves the advocates of a policy which is essentially based on German principles. There are two widely differing conceptions of commerce. According to one view, which is usually stigmatised by a certain school of politicians as Cobdenism, trade, whether national or extra-national, is the affair of the individuals who engage in it. France does not trade with England ; it is Auguste Lesage who trades with John Barclay. If the bargain is a good one both are satisfied, both are richer than before, and—in default of evidence to the contrary—the presumption is that each nation gains by the increased prosperity of its respective citizens. According to the other view, extra-national trade must be looked at primarily as an affair of the nation as a whole. Individuals must not be left

free to seek out the most profitable bargains they can make with the subjects of other States; they must be partly coerced and partly bribed into directing their trade into certain restricted channels which are presumed to be more advantageous for the nation as a whole.

Both views are fairly old. There were convinced free-traders in England long before the activities of Cobden, and there is no reason for suspecting that they were any less patriotic than their protectionist contemporaries. Among the more prominent free-traders of the eighteenth century was Pitt, who is not generally regarded as a traitor to his country. Nor apparently did the eighteenth-century protectionists arrogate to themselves a monopoly of patriotism. What they were most concerned about was the national stock of gold. Here is not the place to discuss the mercantilist theory which so largely dominated English economics in the eighteenth century. It led straight to the absurdity that a nation would trade most favourably if it always sold and never bought. That delusion has long been abandoned in England, even by most protectionists, but it still survives in the Antipodes.

It was crudely set forth by the late Mr. Seddon, at one time premier of New Zealand. Observing that the recorded imports into the United Kingdom exceeded in one year the recorded exports by £160,000,000, he lectured his Mother Country for her folly in annually sending abroad 'a hundred and sixty million golden sovereigns.'

A more recent illustration of the same delusion is given in a publication issued by the Incorporated Accountants' Students' Society of Victoria, in March 1918, where the following passage is reproduced from a leading article in the *Melbourne Age*:—

'If the *Aspasia* takes £250,000 of wool and meat to London, it thereby benefits Australia to the extent of £250,000. But if she brings back a cargo worth £300,000, is it not evident that Australia is a loser to the extent of

£50,000? If she return empty, is not Australia clearly £550,000 to the good, less only the trifling expenses of the return voyage?'[1]

These bizarreries of the protectionist creed are, however, a side issue. The intelligent protectionist understands clearly enough that trade is, and always has been, and always must be, an exchange of goods or services against other goods or other services, gold only serving as a counter. What the intelligent English protectionist wants to do is to regulate this interchange of goods and services with a view to increasing the wealth and power of his country; he demands that the individual seeking private profit should be guided and curbed by the State seeking national ambitions. This also was the policy of the whole German people.

That this policy does not tend to promote peace is fairly obvious. In trade itself there is constantly involved an element of war. The rival grocers in a village street fight for the custom of squire and farmer and of labourer; the great steamship lines that trade to the ends of the earth contend fiercely to secure contracts for the shipment of produce. All kinds of devices, reputable and disreputable, are employed in this warfare which accompanies trade; but as long as the combat is confined to private traders, or trading companies, no national question arises. When however the State steps in and deliberately pushes one trade or blocks another, for some motive of national policy, what was a struggle between private merchants or manufacturers begins to loom forth as a national quarrel.

If one State by devious methods assists its subjects to secure a hold upon the industry and commerce of another country, may not that other country retaliate by legislation directed towards an economic boycott of the offending foreigner? The next step may be actual war.

[1] Quoted in *Money and its Purchasing Power*, by J. R. Butchart. Published at 59 William Street, Melbourne, 1918.

Or, again, if one State having control of large sources of supply of raw materials that are widely wanted by mankind refuses to allow the citizens of other countries to purchase these materials except upon disadvantageous terms, will not those other countries have some justification if they decide to try to take by force of arms what is refused to fair commerce? The area of the world is limited, the strain upon its natural resources grows greater as population increases; if the peoples of the world are going to struggle for the possession of these resources, not as individuals on commercial principles, but as States on national principles, wars long and frequent will hardly be avoided. For disputes between individuals in the final resort are settled in the law court, which in every civilised community has resistless power behind it; disputes between nations imply a trial of strength, and even if a League of Nations were set up to act as arbiter the dissatisfied parties would frequently have at their command sufficient strength to challenge the judgment.

It is difficult to escape from the conclusion that the nationalistic conception of commerce is directly provocative of war. Yet almost as soon as the Great War was ended the members of the Government of the United Kingdom, while proclaiming that their ideal was universal peace, declared in the Budget of 1919 their adherence to a policy of imperial preference. In other words, they proposed to identify commerce with nationality throughout the whole British Empire, to segregate that great Empire with all its varied peoples and spacious territories from the rest of the world, and to treat all other nations with varying degrees of commercial hostility.

The two reasons urged on behalf of this policy were, first, that it was necessary to protect ourselves against German commercial penetration and incidentally to punish the Germans for their crimes; secondly, that the Dominions had rendered such invaluable services to the Empire

during the war that we must comply with their oft-repeated demand for a general system of imperial preferences. Both these arguments rest upon a substratum of truth. It is true that German methods of commercial penetration did constitute a danger which we ought still to take into account; and it is also true that in most of the Dominions some persons at one time or another have expressed a desire for a system of imperial preferences.

But these two propositions do not lead towards one policy; they lead in opposite directions. If we are to guard against German penetration it is of the utmost importance that we should maintain an understanding for that purpose with our Allies in the Great War. But the policy of imperial preference involves an economic breach with our Allies. By whatever phraseology this policy is covered up, it means in hard fact the imposition of extra duties on Belgian, French, Italian, and American goods, so as to place the producers of these countries at a disadvantage as compared with corresponding producers in the Dominions. If, then, we take this course in order to please those persons in the Dominions who ask for imperial preferences, we can hardly expect Belgians, Frenchmen, Italians, and Americans to show any great desire to co-operate with us in any economic policy that may be needed to combat a possible revival of German world-ambitions. They are quite likely to say: 'If that is the way England plays the game, we had better seek our commercial ends in our own way.'

To this argument the preferentialists reply that our Allies would have no right to complain, because we in establishing colonial preference are only doing what they have long done. That reply is not conclusive. In the first place we are making a change in our policy to their injury, and a new injury is generally more unpleasant than an old one, especially if the old one has never been noticed until it was wanted for argumentative purposes.

In the second place the colonial preferences given by

other countries are on a very different footing to those proposed for the British Empire. Full particulars of foreign colonial preferences are given in a House of Commons paper issued in 1909 (No. 296). The subject is complicated and only the briefest summary of the various arrangements then in operation can here be given. France is the most important country because of the wide extent of her colonial possessions and the varying treatment accorded to different colonies and to different products. The details of the various concessions made to different French colonies and groups of colonies occupy five pages of the report. The counter-concessions are somewhat simpler; in the main they indicate that practically all French manufactures are admitted free of duty into nearly all French possessions. It must be realised that the French colonies without exception are under the direct control of the metropolitan government, and that government imposes upon them whatever fiscal system it deems desirable. No one has yet suggested that this system should be extended to the British self-governing Dominions.

Germany comes next in the report, and is disposed of in four lines, which record the fact that Germany treated her colonies on precisely the same footing as foreign countries entitled to ' most-favoured nation ' treatment.

Holland also had no preferential arrangement with her colonies.

Spain had a limited schedule of preferences for her African possessions; but the Canary Islands gave no preference to the Mother Country and only received a preference on a very limited number of articles.

The United States has proceeded on the principle that the oversea possessions of the Republic should be treated as part of the territory of the United States, so that with minor exceptions trade between the United States and her colonies is free on both sides.

This brief summary is sufficient to show that there is

no parallel between the fiscal arrangements maintained by other colonial empires and the kind of system which British preferentialists wish to establish. The systems above summarised are in every case imposed by the metropolitan country upon its dependencies, and their general purpose is to secure approximate free trade between the metropolis and the dependency. What the British preferentialists propose is that the self-governing Dominions should enter into a contractual arrangement with the United Kingdom, as nation bargaining with nation. They further propose that each of these bargaining nations should start from a protectionist standpoint. Great Britain is to protect her domestic industries against colonial as well as against foreign competition; the Dominions are equally to protect their industries against the competition of the Mother Country. But over and above the tariffs required to protect the nations of the Empire against one another there are to be higher tariffs directed against the goods of foreign countries, including our present Allies. That is the scheme, and it is not surprising that our Allies should look askance at it.

Take the case of the United States. Hitherto Great Britain has maintained an open door equally for American and for Canadian produce, though both America and Canada imposed heavy protective duties on British goods. It is now proposed to give Canada a commercial reward for discharging an act of national duty. Her goods are to receive preferential treatment in our ports as compared with American goods.

Take next the case of France. She was in the war before we were; we came to her help. Tens of thousands of brave English and Scottish lads have given their lives to help to liberate the soil of France from a ruthless enemy; Canadians, Australians, New Zealanders, and South Africans spontaneously came across the ocean to join the Mother Country in this crusade. *The Times* of 28th August 1918 reports from Vancouver the case of

John Campbell, a full-blooded Red Indian, who travelled two thousand miles by train, canoe, and steamer to enlist in the Canadian Army. 'He started from the Arctic coast near Herschel Island, and walked along the trail to the head of the Porcupine River, where he worked for several months to get money to pay his passage to Vancouver.' That is the spirit in which citizens of the British Empire have spontaneously come to fight for that Empire, for liberty, and for France. It seems almost incredible that any Englishman should now be found willing to suggest that we should close this glorious episode in our imperial history and in our relations with our nearest neighbour by putting an extra tax on French wines in order to give a preference to Australian vintages.

Take Italy. She came into the war after much hesitation, after much persuasion. We wanted her assistance; she wanted to be liberated from the dominance of her Teutonic neighbours and to recover for her flag territories peopled by her children. A bargain was made, and much energy has since been expended both in England and in Italy in considering how to promote trade between the two countries. Are we now to go back upon what has been done or planned and tell the Italians that we mean to treat the British Empire as a commercial Holy of Holies to which they are only to be admitted after payment of more or less extortionate fees to the guardians of the temple?

Lastly, take Belgium. Of all the countries engaged in the present war Belgium would be awarded the highest place by any Court of Honour. When the issue was placed before her she did not hesitate a single day. Threatened by overwhelming military force she boldly faced the calamity of war to preserve her national honour and to discharge her international duty. She has paid a terrific price. For more than four years she has lain under the heel of a ruthless enemy. Her priceless monuments of a glorious past have been wantonly destroyed;

her factories have been gutted; the private homes of her people have been pillaged and defiled; hundreds of her citizens have been executed for the crime of loyalty to the Belgian flag; thousands have only been kept from starvation by doles of food from Great Britain and the United States. And it is proposed by British preferentialists that at the end of this hard struggle Belgian commerce should be penalised in British markets.

The above considerations ought to have considerable weight with a nation which loves fair play even if the economic issues involved were from the practical point of view insignificant. They are of immense practical importance. The British Empire comprises a far greater portion of the earth's surface than is included under any other single flag. Even Russia, with all her immense Asiatic territories, only possessed, according to the figures of 1912, 7,889,000 square miles as compared with 11,375,000 then under the British flag. The figures of the same year show the area of the United States to be just one-quarter that of the British Empire, and the population to be less than one-quarter. These are pre-war figures. During and since the war began Great Britain has enormously expanded her territorial possessions. Cyprus has been definitely annexed, and by the declaration of a British Protectorate over Egypt and her dependencies, an extensive territory of great actual—and even greater potential—value, stretching from the Mediterranean almost to the Equator, has been effectively added to the British Empire. In addition we have annexed a considerable portion of German West Africa, the whole of German South-West and the larger part of German East Africa. The last-mentioned region is alone three times the size of the United Kingdom; it contains splendid harbours and great natural wealth. In the Pacific we have annexed to the Empire Samoa and German New Guinea. In Asia we have acquired control over Palestine and Mesopotamia.

Thus the British Empire now occupies an even more predominant position both as regards territory and as regards population than before the war. It includes a very large proportion of the habitable globe, comprising some of the richest lands that the world contains. Within this great area several of the materials that man requires for his wants are exclusively found; other essential materials are found within that area in greater abundance than elsewhere. The population in round figures will not be less than 440,000,000. Is it seriously proposed to shut off this gigantic area, this immense population, from the rest of the world by erecting a barbed-wire fence of commercial restriction to impede trade with other countries? Only the most urgent necessity could justify such an anti-social policy towards the rest of mankind. Where is that necessity?

It has been shown above that the policy of imperial preference, so far from being wanted as an instrument of protection against German commercial penetration, directly conflicts with that requirement. Equally is the policy of preference unwanted as a means of securing England's food supplies in time of war. Not only would imperial preference fail to assist us in the essential task of safeguarding our food supplies, but it would distinctly hinder us. The development of submarine warfare has proved that we can no longer rely upon our naval supremacy to secure the safe arrival of supplies of food from the ends of the earth. Therefore to diminish the risk of being starved into surrender, two courses of action are indicated: first, to increase the proportion of our total food supply produced in our own islands; secondly, to aim at drawing the balance of our food supply from near countries rather than from distant countries, so as to economise our imperilled tonnage. Any attempt to stimulate the supply of food to Great Britain from distant British possessions conflicts with both these requirements. If the British farmer is to be encouraged

by fiscal measures to grow more food he must be protected against the colonial as well as against the foreign producer. British farming profits can be beaten down just as easily by wheat from Canada as by wheat from the Argentine.

But whatever we do to protect British or Irish farmers from external competition, we cannot hope to feed the present population of the United Kingdom out of the soil of these islands ; nor can we safely risk the uncertainties of our climate. At the end of the eighteenth century our population was still so small that it could be fed in a normal year upon food grown upon our own soil, but when the harvest failed the price of wheat leaped up to starvation point. If we were now to attempt to make ourselves entirely dependent upon home-grown food, a bad harvest would be a far worse calamity to the nation than the most vigorous submarine warfare. We must import some of our food from abroad, but it is easier to import from Belgium, France, and Italy than from any trans-oceanic country; it is easier to import from the United States or Canada than from the Argentine or South Africa ; and the tonnage difficulty would affect us most of all if we relied upon importations from the Antipodes.

So far, then, as the security of our food supply is concerned there is no case for the policy of imperial preference. Similar considerations apply to the question of raw materials. The security of our manufacturing industries cannot be increased, it will be diminished, by trade restrictions intended to compel our manufacturers to draw their supplies from distant British possessions rather than from comparatively near foreign countries.

It may, however, be argued that we never know when these foreign countries may not be at war with us. That is surely an awkward argument to employ at a moment when most of the principal nations of the world are professing to link themselves together by a League of

Nations for the avowed purpose of establishing, if it be possible, conditions of international life which will render future wars impossible. We can hardly expect our Allies to trust us if we set out by expressing such profound distrust of them. Moreover, the policy which it is proposed to pursue as a means of guarding against the danger of future war with our present Allies in itself tends to bring that danger nearer. If we are to start economic hostilities against our present Allies lest they in some remote future should be at war with us, we necessarily destroy that feeling of friendly confidence which is the best of all securities against war. In any case, we may safely calculate that if we conduct our foreign policy with reasonable regard for the feelings of other countries we shall never be at war with all the world at once.

Thus neither for the purpose of securing ourselves against German commercial penetration, nor for the purpose of safeguarding our supplies of food and raw materials in time of war, is imperial preference desirable. It would be a hindrance instead of a help.

Is there any other purpose so important as to justify us in attempting by fiscal devices to segregate the British Empire from the rest of the world? Some years ago British preferentialists would have replied that preferential tariffs were necessary to bind the Empire together. They would hardly repeat that insult now. The Anzacs who fought and died at Gallipoli did not leave their homes and abandon their business prospects for the sake of a schedule of tariff preferences. Yet for years on countless platforms in this country the spokesmen of the Tariff Reform Party have asserted that unless Great Britain abandoned her policy of free imports and established a protectionist tariff with preference for the colonies, the loyalty of the Dominions would disappear. There was never the slightest justification for that statement.

Those who wish to study in detail the genesis and

development of what he rightly calls the 'Preferential Delusion' should read Senator Pulsford's book on *Commerce and the Empire.* Senator Pulsford is not what political disputants in this country would call a 'Cobdenite Little-Englander'; he is an Australian, and, like the present writer, a strong imperialist. In the book referred to he relates how the idea of inter-colonial preferences was raised at the Ottawa Conference in 1894 between representatives of Canada, of the five Australian colonies, of New Zealand, and of the Cape of Good Hope. The prime purpose of that conference was to secure improved commercial arrangements, including improved cable facilities, between the separate colonies there represented. A resolution was however carried after considerable opposition, by five votes to three, recording the belief of the conference 'in the advisability of a customs arrangement between Great Britain and her colonies, by which trade within the Empire may be placed on a more favourable footing than that which is carried on in foreign countries.'[1] Simultaneously, another resolution was carried, by a unanimous vote, in favour of the establishment of a customs preference between the colonies themselves.

It might fairly be assumed that as the latter resolution was carried unanimously, and as action upon it was entirely within the competence of the colonies represented, such action would have been taken without delay. Nearly a quarter of a century has since elapsed and no general agreement has been reached. Instead, the discussions which have taken place have demonstrated the impossibility of common action between colonies approaching the problem of trade from divergent protectionist views. Take for example a debate in the Commonwealth Parliament in December 1911. Sir William Lyne, formerly Minister for Trade and Customs, there related how he had met Sir Wilfrid Laurier in London

[1] Pulsford, p. 122.

with the object of arranging a reciprocal tariff between Canada and Australia.

'He gave me a list of what he desired that we should admit free. It comprised all the machinery manufactured in Canada by the Massey-Harris Company, the International Harvester people, and other Canadian firms. These were the articles which Sir Wilfrid Laurier wanted us to allow to be dumped here, to the detriment of our own manufacturers. I submitted my list of what we could admit, but he would have nothing to do with it. The whole kernel of their request was that we should allow their machinery to be admitted free to compete with our own people. It was impossible to get any reciprocal trade arrangement under those conditions, and that is what is wrong now.'[1]

This failure of the two great protectionist Dominions to agree on a reciprocal tariff shows that 'Little-England Cobdenism' is not the only barrier in the way of a system of imperial preferences.[2]

The fundamental difficulty lies in this—that while the advocates of preference profess that their object is to link the Empire together by means of inter-imperial trade, their actual proposals are based on a desire for domestic protection. These two objects are essentially opposed to one another, and no trick of words can make them one. On a protectionist basis a bona-fide imperial preference is impossible. For the protectionist theory asserts that the people of any given area are injured by the free importation of competing products from other areas. Therefore Great Britain must shut out colonial corn and meat and butter and the colonies must shut out British manufactures. After this has been done it is a matter

[1] Pulsford, p. 138.

[2] Incidentally Mr. Pulsford (pp. 141 to 146) shows that Mr. Richard Jebb in his book on *The Imperial Conference* was inaccurate in asserting that 'in 1895 reciprocal trade agreements were made by New Zealand with South Australia and with Canada.' Such agreements were indeed proposed, but were rejected.

of indifference whether a further duty for form's sake is imposed upon corresponding goods coming from foreign countries. This was clearly seen by Mr. Chamberlain. In his address to the colonial premiers in 1902 he frankly expressed his disappointment with the results of the Canadian preferential tariff established by Sir Wilfrid Laurier in 1897, and said: 'So long as a preferential tariff, even a munificent preference, is still sufficiently protective to exclude us altogether, or nearly so, from your markets, it is no satisfaction to us that you have imposed even greater disability upon the same goods if they come from foreign markets.'

To that argument there is no answer. Mr. Chamberlain's ideal then was, as his speeches at the time clearly showed, the establishment of free trade, or approximate free trade, within the Empire with more or less hostile tariffs against the rest of the world. If we accept the theory that nationality and commerce go hand in hand, as Mr. Chamberlain did, his ideal was intelligible and defensible. It however necessarily provoked opposition, not only from colonial protectionists who wanted protection against Great Britain, but also from English and Scottish free-traders, who held that the commercial prosperity of the United Kingdom is largely dependent upon the policy of free imports. From the political point of view the latter was the opposition with which Mr. Chamberlain had immediately to deal, and therefore he had to appeal for the electoral support of English, Scottish, and Irish voters who wanted protection for their own industries. But in making that appeal he was compelled to abandon the free-trade basis which alone made his policy desirable from the imperial point of view. His successors found themselves in the same position, with the result that in the United Kingdom to-day the only advocates of imperial preference are protectionists, and on the protectionist basis, as Mr. Chamberlain so clearly pointed out in 1902, preference is valueless.

It may be added that if the nature of the principal industries of the Mother Country and of the overseas Dominions and possessions be compared, it will be seen that the opportunities for agreement in detail, even if there were an agreement in principle, are very small. For Great Britain, owing to her abundant coal supply, to her insular position, and her good harbours, depends for the maintenance of her crowded population primarily upon manufacturing and shipping; the oversea portions of the Empire with their wealth of undeveloped territory depend mainly upon the extraction of raw materials and the production of food. Thus it is to the commercial interest of the Mother Country to buy food and raw materials as cheaply as possible, and it is to the interest of the oversea territories to sell these commodities as dearly as possible. The only effective preference that Great Britain can give to the colonies is by taxing food and raw materials imported from foreign countries; but no one in this country has yet ventured to advocate openly a tax on the raw materials of British industries, and the British Cabinet, in announcing in 1919 its conversion to a policy of imperial preference, expressly stated that there must be no tax on food. Reciprocally the colonies could undoubtedly benefit Great Britain by export duties on food and raw materials intended for foreign countries, but this would clearly restrict the market for these colonial products and so diminish the price. The self-governing Dominions have shown not the slightest inclination to deprive themselves of the liberty of selling their most important products on favourable terms to foreign purchasers. They are equally determined not to allow their nascent manufactures to be undercut by the free importation of manufactured goods from the Mother Country.

Thus neither at home nor in the Dominions are we a step nearer to the policy of imperial preference as originally laid down by its most prominent advocate in

this country. It is therefore well to ask whether the primary postulate on which the whole policy rests—the assertion that Empire and Commerce are one—can be upheld.[1] This question is most ably dealt with by a Canadian writer, Mr. Andrew Macphail, in a book of essays published in 1909. Mr. Macphail challenges the whole proposition that trade is a bond of Empire. He writes :—

'The worst enemy of Canada is the man who declares that if we are permitted to trade with the United States or with Germany we shall become Americans or Germans. The worst enemy of the Empire is the "Imperialist" who declares that unless Englishmen tax themselves for our benefit we shall prepare some sudden stroke of treachery.'

He caustically adds :—

'An Empire based upon preference is at the mercy of every country which chooses to offer a better rate. If a 5 per cent. preference will purchase a 5 per cent. loyalty towards England, how much loyalty will a 10 per cent. preference with the United States purchase?'

He goes on to say boldly that an Empire which can only be held together by tariff preferences is not worth dying for; it might as well fall apart. Englishmen would do well to remember that the great Empire which their fathers had built up in the eighteenth century was founded on tariff preferences and it broke asunder. From the middle of the nineteenth century onwards the British Empire has been founded on fiscal freedom, and it is mightier and more united than any Empire that the world has ever known before.

There are people who talk loosely about a 'self-contained' Empire. They never seem to trouble to look at a map. Geography is an essential factor in trade. Is Australia, situated in the Pacific Ocean, to be debarred

[1] In his *Essays on Politics* (p. 41) Mr. Macphail states that in a speech delivered on 10th June 1896, Mr. Chamberlain said 'Empire is Commerce.'

from trading with countries bordering that ocean if they are under a foreign flag? Is New Zealand to be compelled to abandon her export business to the United States, which in 1913 was worth 50 per cent. more than her export trade to Canada? In the same way it may be asked whether we are to compel the Canadians of the western provinces to send their produce eastwards many thousand miles to the United Kingdom when there is an excellent market for it a few hundred miles or even a few score of miles southwards, across the American frontier.

The attempt to make our far-flung Empire a self-contained commercial unit is indeed a geographical absurdity. Equally absurd from a totally different point of view is the self-containment delusion when applied to a small national unit such as the United Kingdom. If England were to cut off her external trade in order to satisfy the protectionist ideal of self-containment she would cease to be an imperial Power. It is quite true that a nation whether small or large must protect itself against such dangers as those represented by the German policy of commercial penetration. But it does not in the least follow that for this purpose it ought to adopt a general policy of protective duties. The experience of France and Italy and Russia before the war demonstrated the futility of protective tariffs as a safeguard against German penetration. Australia herself is an equally striking example of the failure of a protective tariff to prevent German penetration, for the Germans before the war had obtained control over some of the most important raw materials that Australia produces.

But above all things let us not, while condemning Germany's crimes, imitate the policy which was the ultimate incentive to those crimes. The conception of national loyalty, whether limited to a little island or extended to a great empire, is on a totally different moral plane to considerations of commercial profit.

For trade has no feelings. Men will give their lives for their country, but in business they will rarely forgo the chance of a profitable bargain even with a private enemy or with the hated foreigner. That is the ultimate reason why it is better—except where considerations of national security supervene—to keep nationality and commerce altogether distinct. Loyalty to one's country is a moral duty to be discharged if necessary at the cost of life itself; success in commerce is a business proposition best to be attained by business methods. On this theme the present writer may perhaps be excused for venturing to quote words written by himself at a time when they were more in the nature of a prophecy than if they had been first written when the whole Empire had proved its unity by fighting as one nation for one ideal. In the year 1896 there was published a book, much talked of at the time, which professed to prove that England was tottering to her downfall, mainly for lack of a protective tariff. The present writer replied in detail, in a series of articles in the *Daily Graphic*, to the statements contained in that book. The articles necessarily touched on the question of imperial preference, and concluded with these words :—

'As for the closer union between our Colonists and ourselves, it will hardly be promoted by asking them to sacrifice their commercial freedom to increase the profits of our manufacturers, nor by taxing our food to please their farmers. It is indeed a sign of little faith even to look for a new bond of Empire in an arrangement of tariffs. The tie that binds our Colonists to us will not be found in any ledger account, nor is ink the fluid in which that greater Act of Union is writ.'

CHAPTER IX

THE TWO PATHS OF EMPIRE[1]

In the fourth quarter of the eighteenth century England lost a great Empire; three generations later she had begun to grow conscious of a greater Empire fashioned upon other lines. There is indeed a remarkable coincidence of dates. It was in 1783 that the American colonies were finally separated from Great Britain; in 1883 was published Professor Seeley's *Expansion of England*, a work that did more than any other single cause to awaken Englishmen to the meaning of Empire. In the twentieth century that Greater Britain, whose birth and growth Professor Seeley traced, has proved its loyalty and its strength in a manner which may well be one of the marvels of the world for all time to come. Yet quite a number of loyal citizens of the Empire were a few years ago eagerly, almost passionately, demanding the abandonment at the earliest possible date of the principles on which this greater Empire is based, and a reversion to the principles which governed the constitution of the lesser Empire which was lost in the eighteenth century. Differences of detail there were, no doubt, between our old colonial system and the system of imperial preferential tariffs advocated of recent years, but the fundamental principle is the same. The essential characteristic of the old colonial system was the restriction of the trade of the colonies for the benefit of the Mother Country. Reciprocally, colonial produce received in the markets of the Mother Country tariff favours

[1] This chapter was first published in the *Edinburgh Review*.

as compared with foreign produce. In the twentieth century, as in the eighteenth, the object aimed at is, or was, that the trade of the Empire should be confined as far as possible within the Empire.

It is worth while to press this comparison, because historical as well as political memories are so short that the leaders of the twentieth-century tariff reform movement generally spoke as if they thought that they were the exponents of an entirely new doctrine. In substance what they were advocating was the re-establishment of a system which was maintained with varying degrees of stringency for over two hundred years, and was then deliberately abandoned. This does not, of course, prove that the tariff-reformers are wrong. In the changing phases of life it is quite possible that we can learn again from our grandfathers wisdom which our fathers had forgotten. But those who wish to revive forgotten theories should first take account of the broad facts which time has revealed. In this case the facts stand out clearly. The old colonial system failed to bear the strain of a hesitating attempt made by the Mother Country to obtain from the colonies a small contribution to the cost of wars waged by her almost entirely on their behalf; the new system has yielded a magnificent voluntary contribution both of money and of men from the colonies to help the Mother Country in fighting a war in which her interests were more immediately involved than theirs.

The best conspectus that has yet been published of the economic strength of the British Empire is contained in the Report of the Dominions Royal Commission, which was appointed in April 1912, in consequence of a resolution passed by the Imperial Conference of 1911. During its five years' existence this Commission travelled round the self-governing Dominions so that the members of it were able to see with their own eyes the greatness of the Empire, and to get into personal touch with the men

who are helping to make that Empire greater still. Not the least valuable part of the final report of the Commissioners is contained in the opening pages, where the Commissioners paint in glowing words a picture of what they themselves have seen. They speak of the size and wealth of Canada, with its enormous forests still untouched, with thousands of acres of fertile prairie-land still waiting the plough. They refer to Tasmania as 'one of the most lovely islands known'; they record the spacious prosperity of Melbourne and Sydney. They note the reserves of timber in Western Australia, the sugar possibilities of Queensland, the wonderful beauty of New Zealand, with its 'snow-capped mountains and fertile plains, its forests and swiftly-flowing rivers, and the fiords of its western coast.' They declare that 'South Africa is a country of infinite variety of natural resources,' of which few have yet been developed. Finally, they pay a tribute to little Newfoundland, with its vast forests and hardy fisher-folk.

This wide survey of our wide Empire leads up to a detailed examination of the natural resources of each of the self-governing Dominions. Specially interesting is the analysis which the Commissioners make of the more important raw materials required by the human race, and of their distribution within the British Empire. They divide these materials into three groups: (i) those mainly or wholly produced within the Empire, (ii) those of which the Empire's requirements are approximately equal to the Empire's production, and (iii) materials mainly produced and controlled outside the Empire. The first group is much larger and more important than most Englishmen have hitherto suspected. The Empire has a practical monopoly of the following commodities: nickel, cobalt, asbestos, mica, diamonds, and jute. In addition, the Empire possesses the major portion of the world's supply of palm-nuts and plantation rubber; it produces 40 to 45 per cent. of the world's supply of wool,

and 60 per cent. of the world's output of gold. As regards this group of articles the Commissioners point out that no extraordinary measures are needed to encourage further development. 'The Empire's needs are fully met, and a large export trade is carried on with the outside world.' But 'it might become desirable to use the possession of these assets as an instrument of commercial negotiation,' much in the same way that Germany had used her possession of a monopoly of the supply of potash to bring pressure to bear upon other countries.

Passing to the second group the Report deals with such commodities as wheat, meat, butter, wool, and cheese. In most of these the Empire is approximately self-supporting.

The third group comprises the articles the supply of which within the Empire is insufficient for the needs of the Empire. Such are: quicksilver, platinum, borax, potash, sulphur, petroleum, timber, cotton, maize, and nitrates. As regards some of these commodities the Commissioners suggest that a more careful mineral survey of the Empire may lead to further discoveries. It should be added that as regards one of the most important of these articles—namely, petroleum—the war itself has brought under British control some of the most valuable of the world's oil-fields. But it is more than probable that the Empire will remain dependent upon foreign countries for several essential commodities. So far as these are concerned the Commissioners properly insist that, 'in the general interests of the Empire,' we should draw our supplies, whether they be required for civil or for military use, 'from as many sources as possible, and not depend on a single foreign country.'

The most important proposal which the Commissioners make is for the improvement of the harbours of the Empire, so as to secure the economic advantages which result from the use of deep-draught steamers. Their reasons for laying so much stress upon the problem of

sea communications are stated in a passage which is worth quoting in full :—

'The War has abundantly demonstrated that the life of the Empire depends upon its sea communications. Whatever the existing magnitude of the ocean-borne commerce between the United Kingdom and the Dominions, and whatever the prospects of its development in the future, producer, manufacturer, and merchant alike are concerned, and vitally concerned, with securing cheap, regular, and efficient transport for their goods, and, consequently, with the progressive improvement of the Empire's shipping facilities.'

After touching upon minor problems, such as the reform of the consular service, the Commissioners reach their final conclusion that it is desirable to create an Imperial Development Board for dealing with problems of production and exchange within the Empire. This Board, they say, should be only a little one. It should consist of twelve members, of whom seven would represent the United Kingdom, India, the Crown colonies and protectorates, while the remaining five would each represent one of the five Dominions. Its duties would be to survey, from time to time, the relation between the production and the requirements of the Empire, to investigate new possibilities of production, to direct the stream of capital to the development of Empire resources, to study the problems of migration, and to advise on the development of harbours and the improvement of mail routes.

Whether it is desirable to create a new governmental institution to undertake such a variety of tasks is open to question. In making this proposal the Commissioners seem to have allowed themselves to be influenced too easily by the popular fashion of assuming that the creation of a new government department will solve every problem. Possibly new organisations may be needed for some of the tasks now awaiting accomplishment, and it may be

that in some cases these organisations would have to be under Government control. But the proposal to place so many varied problems under the control of one Central Board does suggest very grave dangers. It is not pleasant to contemplate the possibility that the myriad activities of our gigantic Empire might be held up from time to time while twelve gentlemen in London cogitated over the problems of co-ordination. It is better that a progressive empire should stumble a little, and occasionally wander from the straight course, than that it should be brought to a standstill in order to wait for the guidance of co-ordinated wisdom.

The proposal of the Dominions Royal Commission is, however, innocuous in comparison with some of the schemes still being advocated in the name of Empire Development. It is suggested that by developing the resources of the Empire through the agency of the State it will be possible to secure an income sufficient to pay interest upon the war debt of the United Kingdom, and ultimately to wipe it out altogether. The authors of this scheme seem to have overlooked a fairly obvious consideration. The war debt incurred by the British Government will be an obligation upon the United Kingdom alone. Yet the Empire Development Committee propose to wipe it out by utilising the natural resources of the Empire as a whole, including those under the 'ownership or control' of the 'Dominion or Indian governments.' It would be interesting to hear the comments of Australian and Canadian ministers on this proposal, and also the comments of the Government of India. The proposal is in direct conflict with the main principle upon which the organisation of the Empire has been based for at least three-quarters of a century. It is a reversion to the old colonial principle of treating the colonies as the property of the Mother Country, to be used by her for her own ends.

To show the kind of material upon which this Committee

based their recommendations it is interesting to note that one of the proposals laid before them—and apparently smiled upon by them—was a scheme for the creation of a 'Great Empire Farm.' England is to advance £40,000,000 to Canada in four yearly instalments, on condition that the Dominion Government spends that money in purchasing and developing 200,000,000 acres of arable land. 'It is believed that the value of these great lands in such an Empire farm would speedily reach £20 an acre, or, in all, the Empire would receive in cash £4,000,000,000—the value of its debts for war or pre-war' (*The Times*, 29th January 1917). The author of this fantastic calculation is evidently a pupil of the late Henry George, who imagined that all the wealth of the world came from the unearned increment in the value of land. But even supposing that £40,000,000 could be 'speedily' converted into £4,000,000,000, is it conceivable that any Canadian government would agree to administer such a scheme and to surrender all the realised profits to the government of the United Kingdom? Or is it conceivable that the settlers, who are to do the work of converting land worth £1 into land worth £100, would look on calmly while the government of the United Kingdom appropriated the results of their labour to pay its debts? Except for the pleasant element of humour involved, it is a distinct evil that the hard problems of war finance in a prosaic world should be discussed in a spirit which recalls the fairy tales of childhood.

Unfortunately, schemes such as these also recall the uglier pages of our eighteenth-century history, when, in Professor Seeley's phrase, colonies were looked upon 'as public estates of which the profits were to be secured to the population of the Mother Country.' That was the essential basis of the trade restrictions on which the old colonial system was founded. There was little or no interference with the colonies, so far as their internal government was concerned. Apart from trade restric-

tions they enjoyed almost complete independence. In this respect the English colonies of the seventeenth and eighteenth centuries differed widely from the French and Spanish colonies. France and Spain insisted on maintaining an autocratic rule over their possessions abroad, and even subjected the settlers to restrictions on their personal freedom, from which they would have been exempt if they had remained at home.

The beginnings of our colonial Empire date from the latter end of the sixteenth century. At that period England was suffering from the result of an agricultural revolution which had led to the laying down of much plough-land for pasture, and she was also suffering from the letting loose of troops of beggars who had previously existed upon the charity of the monasteries. Consequently there was a fairly widespread conviction that the country was over-populated, and colonisation was looked upon as a means of getting rid of the surplus population at home. This view did not long endure. The population of England adapted itself to the economic and social conditions of the country, and before the seventeenth century was very far advanced the talk of over-population began to cease. In its place we find a totally different set of arguments put forward in favour of colonisation, and these arguments all resolve themselves into the one main proposition that colonies were desirable as a means of adding to the commercial prosperity of the Mother Country.

The argument is essentially the same as that used by tariff-reformers whose activities began in 1903, but the proposition was approached in the earlier period from a slightly different point of view. The point on which the twentieth-century advocates of colonial preferences lay most stress is, or was, the difficulty of finding an outlet for British manufactures in foreign countries. In the seventeenth century, on the other hand, the point most frequently insisted upon was the desirability of relieving England from her dependence upon foreign countries for

the supply of materials needed by her people. Contemporary writers constantly insisted upon the difficulty of obtaining necessary supplies from intermittently hostile Powers, and this consideration was frequently put forward as a specific argument for various colonial enterprises. Thus, for example, both in 1610 and in 1620 the company which had been formed for the colonisation of Virginia laid stress on the fact that England, instead of having to buy furs and cordage and caviare from Russia, masts, timber, pitch, tar, potash, and hemp from Norway, Denmark, Poland, and Germany, wine, fruit, and salt from Spain and France, silk from Persia and Italy, could obtain all these products from Virginia.[1] In the same way pamphlets published in favour of the settlement of New England laid stress on the value of that country as a new source of supply of fish, timber, and naval stores.

This view of trade, it may be remarked in passing, is in many ways more intelligent than our latter-day developments, for it emphasises the fact that a country grows rich by what it receives and not by what it exports. In other respects several of the seventeenth-century writers on colonial expansion had a clearer grip of the workings of international commerce than some of the imperialists of the twentieth century appear to possess. Thus, for example, in 1638, Sir Ferdinando Gorges wrote to Secretary Windebank that the exports of fish and lumber from the American colonies to Spain, Madeira, and the Canaries paid for commodities imported from these places into England. This clear conception of triangular trade contrasts very favourably with the foolish attempts now so frequently made to compare the direct interchange of commodities between England and some particular foreign country, and to assume that England loses because on that direct trade she buys more than she sells.

[1] Cf. *The Origins of the British Colonial System*, by G. L. Beer, p. 69.

These seventeenth-century men, who saw so clearly the general working of international trade, naturally understood that if the colonies became a source of supply to England they would also be a vent for English manufactures. It was, however, the former point on which they rightly laid most stress, and the direction which colonisation took was largely determined by the needs of the Mother Country for what may be called primary commodities. Thus the colonisation of the temperate regions of America was specially urged with a view to securing supplies of pitch, tar, and hemp, and it was only when the attempts of the early settlers to produce these commodities in sufficiently large quantities proved a failure that England turned her attention to the colonisation of the West Indies, whence she could obtain tropical products, not only for her own consumption but also for export to foreign countries, in payment for commodities which she still had to buy from abroad.

Starting from this assumption, that colonies were required as a source of supply to the Mother Country, and consequentially as an outlet for her manufactures, it was natural to insist that the trade of the colonies both outward and inward should be reserved for the metropolis. Further to develop these important new sources of supply, privileges of various sorts were constantly granted by the Government to settlers or to persons who were engaged in establishing colonial trade. Among these privileges one of the most interesting was the exclusive right of producing tobacco.

The whole tobacco question constitutes a curious page in the history of English industry, and we may also add of English morals. For on its first appearance tobacco was strongly condemned on moral grounds, and this moral objection only appears to have waned when it was realised that the exportation of tobacco from the colonies might become a most valuable industry. Even after this point was reached, the persons who were

interested in the colonial trade were able very ingeniously to avail themselves of the still surviving moral objection to tobacco in order to execute their policy of suppressing the cultivation of tobacco in England so as to secure a monopoly for the Virginia planters.

The evidence is conclusive that the action of Parliament in suppressing the cultivation of tobacco in England was practically dictated by persons interested in Virginian plantations. Under the early Stuarts the planting of tobacco in England had been prohibited on moral grounds, but this prohibition had never been completely enforced, and during the Civil War fell into abeyance. In 1652 Parliament revived the prohibition on the appeal of English merchants interested in the colonial trade. The following year a further petition was presented by Samuel Mathews, an agent for the colony of Virginia, and other merchants, who argued that the growth of tobacco in England would destroy the colonial trade, and thus diminish the shipping of the Commonwealth. The petition prayed that all the tobacco planted in England should be destroyed. In 1654 Parliament appointed a special commission to execute the law prohibiting the growth of tobacco. Great opposition was encountered, especially in the neighbourhood of Winchcomb, where the people raised an armed force of 300 men to resist the destruction of their crops. In face of this opposition proceedings had to be suspended, but the following year (1655) the Government instructed the officers of horse and foot in the counties of Worcester, Gloucester, and Hereford to render assistance in the destruction of the tobacco plants, and the local opposition was overcome.

The methods by which the Government of the Commonwealth was induced thus to destroy an English industry for the benefit of colonial planters are indicated in a private communication addressed to the Governor and Council of Virginia by an agent of the colony in London. The writer takes credit for the work which has been

done in 'suppressing and destroying the greatest crop of English tobacco which hath yet been planted,' and he states that this was

'effected by continual solicitations, by collections of several sums of money, and by the hazard of some of our persons employed in the execution of the Laws and Acts of State in that behalf which was attempted but hindered by the insurrection and resistance of the country; and was afterwards upon our importunity and the dexterity of a gentleman who acted for us, reinforced by further orders from his Highness and the Council; and by the access of a strong and united power of the sheriff and some troops of the army whereby the greatest part of this work was well carried on, though not without much disturbance and some bloodshed.'

This is a remarkable illustration of the lengths to which the Home Government was willing to go in order to encourage colonial trade. In defence of Cromwell and his Council it must be admitted that they rightly attached the greatest importance to the development of a mercantile marine as a means of building up naval power. At that time the distinction, now so patent, between ships of commerce and ships of war was practically non-existent. It was absolutely necessary for merchant ships to carry some guns for their self-protection against pirates, and against the risk of capture by enemies' ships in foreign waters. Consequently, with comparatively little change, almost every merchant vessel could be used as a fighting ship. Looked at from this point of view, there is a partial excuse for the action of the Commonwealth Government in deliberately destroying a home industry for the sake of a colonial industry in order to develop the sea-power of the metropolis.

Underlying this action and all similar privileges conferred upon the colonies was always the idea that the colonies were to be used to add to the material prosperity and strength of the Mother Country. There was, as far as can be traced, no sentiment about the matter.

It was purely a question of business. Our ancestors said in effect: 'By creating colonies, by encouraging their growth, and by giving them privileges if necessary for that purpose, we can strengthen ourselves.' This conception of colonisation continued for practically two hundred years without modification. During the whole period from the Commonwealth to the abolition of the Corn Laws, the large majority of Englishmen looked upon the colonies as dependencies of the Mother Country, existing for her benefit, and only to be encouraged so far as they contributed to that end.

The working of this old colonial system is discussed in detail by Adam Smith. He shows how the export trade of the colonies was regulated in particular by the Act of Navigation. That Act 'enumerated' certain commodities which the colonies were permitted to export to the Mother Country alone; 'non-enumerated' commodities might be exported to other countries provided they were carried 'in British or Plantation ships,' of which the owners and three-fourths of the mariners were British subjects. The 'enumerated' commodities consisted (*a*) of articles which were not produced in Great Britain at all—such as molasses, coffee, cotton, beaver-skins, indigo, etc.; (*b*) of articles—such as naval stores, tar, pitch, pig and bar iron, copper ore, etc.—which, though produced in Great Britain, were not then produced in sufficient quantity to satisfy our demand.

As regards the first category, Adam Smith states that the object of the restrictions was not only to enable the merchants of the Mother Country to buy the colonial produce more cheaply, and so to sell it at a better profit; but also to make Great Britain the emporium for distributing colonial produce to other European countries. As regards the second category, it was calculated that, by a proper scale of duties, colonial produce could always be placed at a disadvantage in relation to home produce, while receiving an advantage in relation to foreign

produce; so that the net result would be 'to discourage the produce not of Great Britain, but of some foreign countries with which the balance of trade was believed to be unfavourable to Great Britain.' Here we almost seem to be reading the language of tariff reform pamphlets of the twentieth century.

The non-enumerated commodities could originally be exported from the colonies to all parts of the world, subject to the condition above mentioned with regard to the employment of British ships. But the classification of enumerated and non-enumerated articles was varied from time to time; and by an Act passed in the sixth year of the reign of George III. the export of all non-enumerated articles was limited, so far as the European market was concerned, to countries lying south of Cape Finisterre. On this last restriction Adam Smith comments :—

'The parts of Europe which lie south of Cape Finisterre are not manufacturing countries, and we were less jealous of the colony ships carrying home from them any manufactures which could interfere with our own.'

While describing these restrictions and their effect upon the value of colonial produce, Adam Smith points out that in certain other directions the colonies were allowed to enjoy a very wide liberty in matters of trade. In particular he refers to the complete freedom of trade which the American colonies enjoyed with the British West Indies to their immense mutual advantage. But he adds :—

'The liberality of England, however, towards the trade of her colonies has been confined chiefly to what concerns the market for their produce, either in its rude state, or in what may be called the very first stage of manufacture. The more advanced or more refined manufactures even of the colony produce, the merchants and manufacturers of Great Britain choose to reserve to themselves, and have prevailed upon the

Legislature to prevent their establishment in the colonies, sometimes by high duties, and sometimes by absolute prohibitions.'

He goes on to give examples. The refining of sugar by the West Indies was prevented by imposing a duty of £4, 2s. $5\frac{8}{20}$d. per cwt. on West Indian refined sugar imported into Great Britain, as compared with 6s. 4d. per cwt. on Muscovado sugar.

In North America the production of pig and bar iron was encouraged, but the erection of steel furnaces was prohibited. Another prohibition prevented the American colonists from conveying from one province to another such articles of local manufacture as hats and woollen goods, the object being to confine the production of the domestic industries concerned to domestic use. That these restrictions did not, in the then condition of industrial development in North America, prove so oppressive as they appear on paper, Adam Smith admits; for the colonists in their own interest were more busily engaged in exploiting the untouched natural resources of the vast territory they occupied than in trying to establish manufacturing industries prematurely. Consequently, he argued, these restrictions upon the freedom of the colonies must be regarded for the moment merely as 'impertinent badges of slavery imposed upon them, without any sufficient reason, by the groundless jealousy of the merchants and manufacturers of the Mother Country. In a more advanced state, they might be really oppressive and insupportable.'

Nor was it only the colonies across the ocean which were subject to tyrannical restrictions on their commerce and industry. At the bidding of trade rivals in the Mother Country, exactly the same policy was applied to Ireland. Such industrial and agricultural prosperity as Ireland achieved in the seventeenth and eighteenth centuries was undoubtedly due to the energy of the English and Scottish settlers. In this sense Ireland was

a colony and was treated as such. The actual injury she suffered was, however, far more serious than that inflicted upon the American colonies by English protectionists; for while England may, at worst, have slightly retarded the natural development of the North American colonies, in Ireland her blows were aimed at industries which had begun to flourish. Take first the most important of Irish industries, then as now—the cattle industry. The importation of Irish cattle into England was prohibited, at the request of English landlords, by an Act of Parliament passed in 1663, which was humorously styled 'An Act for the Encouragement of Trade.' A few years later an Act was passed declaring that the importation of Irish cattle, swine, and sheep into England was a public nuisance. The effect of this legislation was that Irishmen, being unable to export cattle or sheep, turned their attention to the exportation of wool. That aroused the jealousy of English woolgrowers, and a few years later the importation of Irish woollens into England was forbidden. Almost at the same time government encouragement was given to the linen trade in Ireland. England then had no linen industry, and did not object to Ireland adopting that industry if she would abandon woollens. Later on, we find that the Irish shipping industry was severely hit by an Act excluding Irish shipping from the foreign trade. The glass industry, the silk and glove industries were also penalised. The brewing industry was attacked, not on temperance grounds, but because of competition with English beers.

These shameful incidents in our past history have generally been forgotten by Englishmen; they are bitterly remembered by Irishmen. Yet curiously enough the recital of these past wrongs is made by Irishmen to serve as an argument for the re-establishment of a political relationship between the two islands which would render possible the repetition of many of the worst of the ancient

wrongs. As long as the Union endures, so long is it impossible for England to destroy Irish industries by hostile tariffs; but if Ireland is to have a separate Parliament with a separate fiscal system she must be prepared for the possibility of the exclusion of her products from their nearest and most profitable market. Yet so far are present-day Irish politicians from realising this danger that many of them are now arguing that Ireland's commercial interests can only be safeguarded by the erection of a tariff wall between Great Britain and Ireland. Since the Home Rule Act of 1914 was placed on the Statute Book, and then pigeon-holed, Irish Nationalist opinion has developed in favour of demanding that the same fiscal liberty which is at present enjoyed by the self-governing Dominions should be extended to Ireland. This can only mean that Ireland is to be free to exclude British products from the Irish market. But if Ireland is to have this freedom, a reciprocal freedom must be conferred upon Great Britain, and—if this island is once more to be ruled by a protectionist spirit—the anti-Irish legislation of the seventeenth and eighteenth centuries may again be enacted.

It is a pity that Irish politicians of to-day, while feeding the passions of the Irish people by recalling the fiscal wrongs which Ireland suffered in the past, have not taken the trouble to examine the cause of those wrongs. The leaders of Irish political life in the eighteenth century fully understood both the cause and the remedy. It was the protectionist spirit which led England in the seventeenth and eighteenth centuries to destroy Irish industries, and it was against the measures which resulted from that spirit that Irishmen rebelled. The revolt of the American colonists gave a lead and an opportunity to the Irish colonists. The Irish volunteers were formed, and the demand they put forward was for 'free trade.' In 1779 Grattan moved a resolution in the Irish Parliament declaring that 'It is by no temporary expedient,

but by free trade alone, that this nation is now to be saved from impending ruin.' This declaration was emphasised by the volunteers, who paraded with two field-pieces bearing on their muzzles the legend 'Free Trade, or this.'

It must be explained that the phrase 'Free Trade' as then used did not mean freedom from import duties (Irish import duties were relatively low), but freedom for Irishmen to export their produce where they chose, and especially freedom to trade direct with the English plantations. The English manufacturers strongly objected to this last point. They said that Ireland would be getting all the benefit of the British Empire and that England would be bearing the whole cost of imperial defence. Pitt attempted to strike a bargain between these opposing forces, on the basis that Ireland in return for free trade with the colonies should make a further contribution to the British Exchequer. But this proposal was not welcomed by either party. Then it was that sprang up the demand for union in order to bring Ireland under the same fiscal system with England, and to compel her to pay for the advantages she would derive from liberty to trade with the British possessions.

A closely similar proposal had already been made by Adam Smith, not only for Ireland but for the Plantations as well. This proposal, outlined a hundred and forty years ago, is one of the most remarkable features of the *Wealth of Nations*. It may almost be described as the culmination of Adam Smith's great work. He leads up to it by reviewing the fiscal obstacles to internal trade which existed in many European countries. He shows how some of the provinces of France were subjected to taxation from which others were exempt; how some were treated from the fiscal point of view as parts of France, others as foreign countries; how specific prohibitions were laid on the export of some commodities

from one province to another. With regard to Italy he says :—

'The little duchy of Milan is divided into six provinces, in each of which there is a different system of taxation with regard to several different sorts of consumable goods. The still smaller territories of the Duke of Parma are divided into three or four, each of which has, in the same manner, a system of its own.'

In contrast with these and other foreign countries Great Britain possessed the advantage of a uniform system of taxation which removed the necessity for fiscal restrictions upon internal trade, so that 'goods may be carried from one end of the kingdom to the other without requiring any permit or let-pass, without being subject to question, visit, or examination.' This 'freedom of interior commerce,' Adam Smith argues, 'is perhaps one of the principal causes of the prosperity of Great Britain.' He then presses home his conclusion :—

'If the same freedom in consequence of the same uniformity can be extended to Ireland and the Plantations, both the grandeur of the State and the prosperity of every part of the Empire would probably be still greater than at present. . . .

'All the invidious restraints which at present oppress the trade of Ireland, the distinction between the "enumerated" and "non-enumerated" commodities of America, would be entirely at an end. The countries north of Cape Finisterre would be as open to every part of the produce of America as those south of that Cape are to some parts of that produce at present. The trade between all the different parts of the British Empire would, in consequence of this uniformity in the Custom-house laws, be as free as the coasting trade of Great Britain is at present. The British Empire would thus afford within itself an immense internal market for every part of the produce of all its different provinces.'

But Adam Smith saw clearly enough that his conception of a great British Empire—united by a system

of complete internal free trade, and further strengthened by a greatly extended freedom of commerce with foreign countries—could only be realised through political union. He saw that it would be necessary to enlarge the British Parliament into the 'States General of the British Empire,' and he also saw how that proposal for inter-imperial free trade would be opposed 'by the private interests of many powerful individuals and the confirmed prejudices of great bodies of people.' Nevertheless he asked leave of his readers to indulge in a speculation which 'can at worst be regarded but as a new Utopia, less amusing certainly, but not more useless and chimerical than the old one.'

That great speculation still remains unrealised, except so far as Ireland is concerned. There the anticipations of Adam Smith have been fully justified. The breaking down of the tariff barriers between Great Britain and Ireland, which unfortunately was not completed till a quarter of a century after the Act of Union, has been a moral boon to the greater island, a material boon to the lesser. No Englishman or Scotsman is any longer tempted to suppress the industries of Ireland; her people have reached a level of material prosperity never approached before. The fiction latterly put about that England adopted her present fiscal policy, the policy of free imports, regardless of the interests of Ireland, is absolutely without foundation. As it happens, the very earliest pamphlet that Cobden wrote in favour of free trade contained an account of his impressions of the poverty of Ireland ten years previously. It is sufficient to quote what he says of Dublin in 1825:— [1]

'The river Liffey intersects the city, and ships of 200 tons may anchor nearly in the heart of Dublin. The small number of shipping betrays their limited commerce. It is melancholy to see their spacious streets (in some of which the whole trade

[1] Morley's *Life of Cobden*, p. 11.

of Cheapside might with ease move to and fro) with scarcely a vehicle in their whole extent. While there is so little circulation in the heart can it be wondered that the extremities are poor and destitute!'

Nor ought it to be forgotten that Cobden's agitation for the abolition of the Corn Laws received the active support of many Irishmen, including the great Irish leader, Daniel O'Connell, who spoke at many of Cobden's biggest meetings, vehemently urging that the Corn Laws had driven the Irish people to destitution.[1] And even politicians with the shortest memories ought to be able to recollect that the final blow to the Corn Laws was the Irish potato famine. The story is told in a few concise sentences by an Irishman, who for many years led the Nationalist Party in the House of Commons, Justin McCarthy :— [2]

'In the autumn of 1845 the potato rot began in Ireland. . . . The great cry all through Ireland was for the opening of the ports. The Mansion House Relief Committee of Dublin issued a series of resolutions declaring that the potato disease was expanding more and more, and the document concluded with a denunciation of the Ministry for not opening the ports or calling Parliament together before the usual time for its assembling.'

As Lord Morley writes in his *Life of Cobden* in reference to the Irish famine : 'It was the rain that rained away the Corn Laws.'

Nor is there any ground for the assertion that Irish agriculture suffered any special and peculiar injury from the opening of the ports of the United Kingdom to the wheat of the world. On this point the testimony of another well-known Irishman, the late Judge Shaw, may be quoted. Writing in 1902 in the *Saturday Review* for September 27th of that year, Judge Shaw said :—

[1] See, for example, O'Connell's speech at Manchester on 13th January 1840, quoted in Prentice's *History of the Anti-Corn Law League.*

[2] *A Short History of Our Own Times*, p. 74.

'I have lived all my life in Ireland, and I have been brought into close contact with all sorts and conditions of men in Ireland, both north and south. In my boyhood I used to hear the farmers of the County Down talk about the poverty, the struggles, and miseries they and their fathers endured between 1815 and 1845 when protection was at its height. I have seen with my own eyes the prosperity which the same farmers enjoyed for thirty years after the Repeal of the Corn Laws. . . . It is true that since 1878 farming has not been so profitable in Ireland as it was for thirty years before. But the farmer is far from being ruined. He has at least maintained the standard of comfort and living which he acquired in his thirty years of great prosperity.'

That was in 1902. In 1911 Mr. T. P. Gill, Secretary of the Irish Department of Agriculture, and formerly a prominent Nationalist member of Parliament, called public attention in Dublin to the remarkable progress achieved by Ireland both in commerce and in agriculture.[1] The late Mr. T. W. Russell, M.P., then a strong Home Ruler, speaking on 3rd Nov. 1911 in Manchester, said: 'People talk about "poor Ireland," but I have the opinion that relatively Ireland is doing as well as any part of the Empire.'[2] Coming down to the year 1916, we find the Nationalist Party in the House of Commons issuing to the world a manifesto in which they bear testimony to the general prosperity of Ireland, and in particular to the prosperity of the Irish labourer. The evidence is overwhelming that Ireland has, like the rest of the United Kingdom, grown in prosperity enormously during the free-trade era. Doubtless certain Irish industries could be rendered even more profitable by a system of tariffs designed to give protection to those industries alone. If, for example, a heavy duty were imposed on the import of colonial and foreign wheat into the United Kingdom, it is probable that Irish farmers, in spite of their unsuitable climate, would turn again to wheat growing, and would

[1] *Irish News*, 8th August 1911.
[2] *Manchester Guardian*, 4th November 1911.

reap handsome profits, even if they reaped poor harvests. But though every protectionist farmer or manufacturer instinctively assumes that protection is to be for him alone, in practice it never is so. The protection conceded to one industry is claimed by others, and when these others have been satisfied the original beneficiary may find himself worse off than he was without any protection at all. If, for example, the Irish linen-spinners obtained a protective duty in their favour, the Irish flax-growers might demand and obtain a duty on imported flax, with disastrous consequences to the linen-spinners.

There are, as it happens, few parts of the Empire which have a greater interest in free trade than Ireland. She is a small country quite incapable of supplying all her own wants from her own resources. Her prosperity must depend on the activity of her export industries, and no export industry can benefit by an import duty except so far as that duty enables the controllers of the industry to sell cheaper abroad by selling dearer at home. In a large country like Germany that policy was feasible for a limited number of industries; in a little country like Ireland it would be quite impracticable. When Irishmen talk of the advantages of protection, what they really mean is protection for Irish industries and Irish agriculture at Great Britain's expense.

The same confusion of thought underlies a great deal that is said and written about the larger problem of imperial preference. There are a few keen imperialists in Great Britain who cherish Adam Smith's conception of internal free trade throughout the Empire, but there seems little prospect of their hopes being realised in any near future. Both here and in the Dominions the large majority of the advocates of imperial preference are strongly opposed to inter-imperial free trade. They have the word preference on their lips, but the spirit of protection is in their hearts. For this reason the apparent agreement between the advocates of preference at home

and in the Dominions is altogether delusive. They use the same phrase, but they do not mean the same thing. The colonist who asks the British Government to establish a preferential tariff pictures a tariff which will let in colonial goods free, or almost free, and will exclude foreign goods; the Englishman or Scotsman who makes the same verbal demand pictures a tariff which will give the Mother Country adequate protection both against colonial and against foreign goods, with a slight concession in favour of the colonies.

It is certain that so long as the protectionist theory predominates in colonial politics, the colonies will not freely open their ports to the manufactures of the Mother Country; it is equally certain that if the protectionist theory should obtain predominance in Great Britain, the ports of the Mother Country, which are now wide open to colonial products, will be partly closed against them.

The moment the preferentialists from different parts of the Empire sit down to discuss details they will discover that they are fundamentally in disagreement, and, if they attempt to give any wide application to their respective theories, instead of binding the Empire closer together, they will create elements of disunion. Moreover, so far as the policy of preference is successful in confining the trade of the Empire within the Empire, to that extent will the fundamental disagreement between colonial and home producers become aggravated. As long as all parts of the Empire are free to trade where they will they can afford to be tolerant of domestic differences with one another; but if they are to be limited to the 'tied house' conception of commerce the conditions of inter-imperial trade will become matters of vital importance and of rancorous controversy.

It cannot be too strongly insisted, in considering the great problem of imperial unity, that the protectionist spirit is in itself an element of discord, because it is finally based upon selfishness. That statement does not mean

that free-traders are personally exempt from the vice of selfishness. What it does mean is that the thing for which the free-trader asks is something which he has to share with everybody else; whereas the protectionist asks for a tariff privilege for himself to hold against others. That privilege can only be obtained through the State, and thus the protectionist spirit leads directly to conflicts between States. That such trade conflicts should arise between different countries is a sufficiently grave evil; that they should also arise between different parts of the same Empire is an aggravation of the evil which we ought to strive our utmost to avoid. It has been avoided in the United States and in the German Empire by the establishment of complete fiscal unity. The United States is the largest single free-trade area within the world. From the Atlantic seaboard to the Pacific coast, from the Canadian borders to the borders of Mexico, trade is free. Goods may be carried over the whole of that vast area, in Adam Smith's phrase, 'without requiring any permit or let-pass, without being subject to question, visit, or examination.' In exactly the same way complete free trade prevailed before the war throughout the numerous States of the German Empire.

The difficulties in the way of establishing similar fiscal unity throughout the British Empire are both material and mental. On the material side the divergent economic conditions prevailing in the different portions of our far-flung Empire make complete fiscal unity almost impossible, and certainly undesirable. Where the conditions of life are totally different an arbitrary uniformity of law is not an advantage but an inconvenience. It is inconceivable that the same system of taxation which suits London and Edinburgh could be made to suit a tropical or semi-tropical dependency of the Empire. For example, the United Kingdom derives an enormous customs revenue from a high duty, about 1000 per cent., levied upon imported tobacco; it would be impossible to levy

the same duty in India, for tobacco can be and is grown almost everywhere throughout India. Nor would there be the slightest administrative gain in such uniformity, for in any case cargoes arriving at Bombay or Calcutta from Europe would have to be subjected to customs examination. A sea-divided Empire cannot in fact hope to gain those administrative advantages which the United States and Germany have gained by preventing the erection of, or by sweeping away, internal customs barriers. It is worthy of note that the United States has not yet been able to establish complete fiscal unity with her oversea possessions; nor was Germany able to do so. The sea divides as well as unites.

Beyond these material considerations is the obstacle created by the sentiment of the peoples concerned. The people of Canada do not regard the Dominion merely as an administrative division of the British Empire; they have a Canadian as well as a British loyalty, and steps taken in disregard of the former might easily result in the destruction of the latter. The same consideration applies to the other self-governing Dominions. It even applies, though in a different sense, to India. The conception of India as a nation is not, of course, of native growth. It is an exotic conception imported from Europe, and so far has only affected the handful of Indians who have received an English education. But this handful is growing in numbers and in influence, and though they may never be strong enough to overcome the internal differences which divide the inhabitants of India from one another, they may be able to combine the mutually warring elements in that enormous population for the purpose of opposing external measures which can be represented as anti-Indian.

For these reasons the fiscal unity which the people of the United States enjoy throughout their continuous land territories must be pronounced unattainable by the British Empire.

Therefore if we are to avoid the danger of fiscal conflicts within the Empire, our only hope lies in discouraging the spirit of protection which breeds these controversies. Unfortunately during the past twenty years or so a considerable party within these islands has devoted itself to preaching in the name of imperial unity principles which cut at the very root of that unity, and to demanding in the name of progress that we should hark back to the disastrous colonial policy of past centuries. To bolster up their campaign the spokesmen of this party have persistently depreciated the achievements of their own country during the era of free trade. They have dinned it into the ears of the world that England was in a state of decadence; part of the world has believed them, and England has suffered direct injury from that groundless belief. Surely the time has come when all Englishmen, whatever their fiscal creed, should be able to recognise how wonderfully their country has grown in riches and in strength during the past seventy years.

Of all the achievements of Great Britain since the beginning of the free-trade era none has been more remarkable than the expansion of our mercantile marine. Whether we compare ourselves with the United States or with Germany our progress in this prime element of our commercial prosperity and national strength was immense and continuous right down to the outbreak of the Great War. That progress was achieved without any preferential favours for British shipping either in British or in colonial ports. Yet for nearly two centuries it had been assumed that the Act of Navigation, passed in the reign of Charles II., was necessary for the maintenance of our mercantile marine. Even Adam Smith was so impressed with the apparent necessity of that piece of restrictive legislation as a weapon against the 'naval power of Holland, the only naval power which could endanger the security of England,' that he made

it the text for his oft-quoted aphorism that 'defence is of much more importance than opulence.'

That aphorism needs no justification, but England has had the peculiar good fortune that while seeking opulence she has also found defence. She has found it along the path of freedom. In the eighteenth century her restrictive commercial policy not only led up to the loss of the North American Colonies, but it also provoked the jealousy and the hostility of other nations. As Professor Seeley well says: 'Commerce in itself may favour peace, but when commerce is artificially shut out by a decree of government from some promising territory, then commerce just as naturally favours war.' He goes on to point out how the conquests which England achieved in the first half of the eighteenth century excited the jealousy of the rest of Europe :—

'In this culminating phase England becomes an object of jealousy and dread to all Europe, as Spain and afterwards France had been in the seventeenth century. It was about the time when she won her first victories in the colonial duel with France, that an outcry began to be raised against her as the tyrant of the seas. In 1745, just after the capture of Louisburg, the French Ambassador at St. Petersburg handed in a note, in which he complained of the maritime despotism of the English, and their purpose of destroying the trade and navigation of all other nations. . . . From this time till 1815 jealousy of England is one of the great motive forces of European politics.'

It is true that to some extent all success provokes jealousy; but the jealousy is less when the success is used for other than selfish ends. It is also true that no nation can afford to be entirely unselfish; self-preservation comes first, and nations which neglect the duty of defending their own interests sink into oblivion. But if it be possible to build up a great Empire, and secure its safety, without restricting the liberty of other nations, surely it would be a wanton thing to provoke the hos-

tility of the rest of mankind by segregating for our own exclusive use the vast territories covered by the British flag, territories that have grown vaster still as the outcome of the war. Equally would it be a wanton thing to imperil the unity of the Empire by destroying, under the pretence of imperial preference, the wide imperial freedom of trade that now exists. Upon the policy of freedom we have reared a gigantic Empire, prosperous, powerful, united, and tolerant. We have done this less as the result of reason than as the result of instinct. From the earliest days of our history the spirit of freedom has been the pride of our race. It is the instinct thus bred in our bones that has taught us to seek the greatness of Empire by following the path of freedom.

CHAPTER X

POLITICAL LIBERTY[1]

HITHERTO, English people have on the whole been contented with their government. It has been evolved with a good deal of friction and some fighting, but it has been evolved by themselves, and its various theoretical defects have been obviated by the spirit of compromise, which is one of the most valuable characteristics of the English race. As regards the general merits of the English constitution it is worth while to quote the opinion of a recent American writer, Professor Duncan Wallace, who has summarised both with insight and with balance the main features of our system of government :—

'Perhaps the most valuable of the distinctly English contributions to modern civilisation is popular constitutional free government. Even nations antagonistic to the English in other respects have copied their free institutions and practical political principles to such an extent that we may say that the larger the degree of freedom which a nation enjoys, the more closely will we find that its government has been modelled after that of England.'[2]

That may be accepted as a just tribute to the merits of our constitution for the purposes which it was intended to serve. Whether the same constitution will suffice for the duties now being thrust upon the State is altogether another question.

The machinery of our constitution is still based on

[1] The larger part of this chapter first appeared in the *Edinburgh Review*.

[2] *Government of England*, p. 3.

Victorian designs; it is being called upon to perform functions which no Victorian statesman ever contemplated. It will be sufficient here to quote the words of a man who for a long period was one of the most prominent members of the Liberal Party. Speaking at Oxford in 1873, Sir William Harcourt said :—

'Liberty does not consist in making others do what you think right. The difference between a free Government and a Government which is not free is principally this—that a Government which is not free interferes with everything it can, and a free Government interferes with nothing except what it must. A despotic Government tries to make everybody do what it wishes, a Liberal Government tries, so far as the safety of society will permit, to allow everybody to do what he wishes. It has been the function of the Liberal Party consistently to maintain the doctrine of individual liberty. It is because they have done so that England is the country where people can do more what they please than in any country in the world.'

Since Sir William Harcourt laid down these propositions a large part of the country, and especially that section which still calls itself the Liberal Party, has travelled so far that the word liberty has almost come to mean exactly what he said it did not mean. People talk to-day, apparently without any sense of incongruity, as if liberty from the constitutional point of view meant the multiplication of electors and of elections. Perfect constitutional liberty will be attained—so at least these modern Liberals imply—when every person, male or female, is entitled to vote for one or more parliaments and a plethora of local administrative bodies. It is further assumed, or more often expressly stated, that these parliaments and local bodies are all to be busy doing things, and as the action of every governing body is in one form or another coercive action, it follows that what is now called constitutional liberty really means an elaborate organisation for giving everybody an equal

opportunity of sharing in the frequent coercion of everybody else.

This habitual inversion of the meaning of the word liberty is so complete that it would be an excess of politeness to describe it as being due to loose thinking. It is due to loose speaking and no thinking at all. By American presidents as well as by Hyde Park tub-thumpers democracy and liberty are mentioned in one breath as if they represented the same ideal. They may both be ideals, but they are not the same.

They *are* both ideals. The world has outgrown the conception of the paternal monarch ruling by divine right; it has equally outgrown the conception of the privileged classes ruling by right of wealth and education; the only possible conception for the government of the present and the future is a system in which all citizens shall have a right to share on terms as nearly equal as possible in constituting the government to which they have to submit. That is democracy. It is both an ideal and a necessity.

Liberty is quite another matter. It also is an ideal, and a much older one than democracy. It needs no definition. We all understand what we mean by liberty the moment we are threatened with the loss of it. Liberty may to a large extent co-exist with monarchy or with aristocracy. Under the autocratic rule of the Roman Emperors a large part of the world enjoyed probably at least as much liberty as the citizens of the republic of the United States to-day. A still better, because more recent, example of the combination of liberty with aristocracy is presented by India. The government of British India is essentially autocratic, but probably in no part of the world, not even in England, is the private citizen so perfectly free to follow his own fancies without any interference on the part of the government. This is the most striking present-day example of the combination of liberty with aristocracy; but during the

greater part of the Victorian era, when England was governed by a quasi-aristocracy, composed of the well-to-do classes, the maintenance of liberty was definitely recognised as a fundamental principle of government.

We have now left that period behind. The very improvements secured during the Victorian era have stimulated the desire for still greater progress. It is the man who is already on the up-grade who is ambitious to move higher, not the man who has long been stationary. Just as the Reform Bill of 1832 was forced upon the landed aristocracy by the increasing wealth of the middle-classes, so the changes which are now taking place are the result of the increased prosperity of the working-classes. They demand power for themselves, partly because growing strength generally brings with it a desire for power for its own sake, and partly because they believe that they can use political power to improve their own material position relatively to that of other classes.

This hope springs from past experience. In the past each class as it has climbed into power has tended to use its control of the machinery of government for its own benefit. The working-class proposes to do likewise, and it is this implicit programme which helps to explain the verbal confusion between democracy and liberty. One of the things which the working-man most wants is liberty. Few well-to-do people can fully realise how comparatively narrow are the limits within which a weekly wage-earner is a free man. He has to be at his work in the factory or the shipyard on the stroke of the bell or the hoot of the siren. His movements are directed by a foreman, whose methods of command probably do not err on the side of excessive courtesy; he has little choice of residence except between one dull street and another; his holidays are extremely brief and his range of possible travel limited accordingly. With more money in his pocket and with more book knowledge in his brain he demands a larger and a freer

life. Many workmen think they can get it through parliamentary action, and that is why the two distinct ideals of democracy and liberty are so frequently confused.

The practical question to be considered is whether it is possible so to reform the government of England as to secure both of these distinct but not necessarily conflicting ideals. That on present political lines we shall not secure them both is certain. Democracy in fact is at present moving rapidly in the direction of tyranny, and the proposals so far made for reforming our constitution are not likely to mitigate that tyranny.

The momentarily fashionable scheme of constitutional reform, namely, the proposal for the establishment of some system of federal government for the United Kingdom, seems to have been first put forward by Mr. Joseph Chamberlain as far back as 1885 for the purpose of parrying the Irish demand for Home Rule. Apart from this Irish aspect of the question the only argument ever urged in favour of federalism is the contention that it would relieve the pressure of work upon our present single parliament. No evidence is adduced to show that this would be the case. If we may judge from what Professor Wallace writes, American experience points in the contrary direction. He says :—

"'The mother of parliaments" has some peculiar and interesting ways all her own. But before taking up these let us emphasise the fact that the House of Commons and the House of Lords are true deliberative assemblies. There is a strong tendency for a large body to become a mere machine for registering the decrees of a ring of leaders or a set of committees. That such has not been the fate of Parliament is largely due to the fact that it is not overwhelmed with the thousands of bills which crush the freedom of debate out of some legislatures.'[1]

He goes on to state that the number of bills brought into the House of Representatives at Washington is

[1] *Government of England*, p. 72.

enormously in excess of the number introduced into the House of Commons at Westminster. Yet, in addition to Congress, the United States possesses some forty legislatures, each enjoying very wide powers under the guarantee of a written constitution.

Apparently the advocates of federalism for the United Kingdom do not propose to have a written constitution with its necessary concomitant of a Supreme Court endowed with the power to annul any act of any legislature which conflicts with the Court's interpretation of the constitution. On the contrary, the Imperial Parliament is to maintain a real sovereignty throughout the United Kingdom. Consequently, the House of Commons would have power to interfere with all the proceedings of the subordinate legislatures. That it would do so we may infer from what happens daily in connection with local governing bodies. Popularly elected county councils have been in existence now for a considerable period of years. In theory their existence ought to have relieved parliament of a good deal of work. In practice the congestion is much greater than before, the reason being that the Imperial Parliament continues to interfere with the work which it has nominally entrusted to other elected bodies.

This statement applies not merely to remote counties; it applies also to the capital of the Empire. The London County Council is a popularly elected body, representing a population greater than that of either Scotland or Ireland, and more than double that of Wales. It is treated by the House of Commons and by the bureaucrats of Whitehall as if it were a child in leading-strings. If the federalists wish to induce belief in their bona-fides let them begin by demanding the liberation of the great borough councils and county councils of the Kingdom from the irritating, time-wasting, and money-wasting interference of the House of Commons and its attendant tribe of ministers and officials.

As a particular example of the difficulties in the way of legislative devolution, take the question of factory legislation. Is it proposed that there shall be one factory law for Birmingham, another for Glasgow, a third for Belfast? A kindred question has already arisen in connection with the scheme of national insurance. Apparently for the sole purpose of conciliating what the Germans call 'particularist' sentiment, Mr. Lloyd George, in his national-insurance scheme, provided separate bodies of insurance commissioners for England, Scotland, Wales, and Ireland. Not only do these separate bodies cost a great deal of money for salaries, but they involve an immense amount of clerical labour and expense in accounting for insured persons who transfer themselves, say, from Bristol to Cardiff or *vice versa*—a change that a man may make two or three times both ways in the course of a year.

Further it may be asked, What are to be the working relations between the parliament of England and the parliament of the United Kingdom? If a federal system is to be set up England will speedily acquire a separate feeling of nationality akin to that already existing in a deliberately hostile form in Ireland, and in a form of friendly jealousy in Scotland and Wales. Suppose some question arises between the sovereign parliament of the United Kingdom and the nominally subordinate parliament of England. In the parliament of the United Kingdom the English representatives will outnumber by three to one the combined representatives of the other nationalities, and they will in the case of such a conflict almost invariably vote in support of the view expressed by the parliament of their 'nation.' The consequence will be that England—instead of sharing power as she now does on absolutely equal terms with Scotland, Ireland, and Wales, and frequently permitting a government to be imposed upon her against the wishes of the majority of her representatives—will use her superior voting power

to impose her will upon the whole Kingdom. Thus federalism, though it might mean a gain of constitutional liberty for England, treated as a single national unit, would imply a corresponding, and in substance a much more serious, loss to Scotland and Wales and Ireland.

As regards individual liberty—the liberty that most matters to human beings—there is no reason to believe that any gain would result from federalism to any section of the community. Federalism only means the multiplication of parliaments, and in a democratic country, parliaments, as the experience of the United States has shown, are to a large extent instruments of tyranny. The most notable of modern political movements in the United States is the revolt against parliamentary government. Americans have found by experience that their numerous legislatures are mainly engaged in passing laws for the private benefit of the members of those legislatures and of their personal or political friends. In order to cure this rampant evil many States have established the Referendum, which gives citizens of the State the power of negativing by a direct vote the measures which have been passed by the elected legislature. Other devices for escaping from the tyranny exercised by elected persons are the Initiative, which enables the electors themselves to pass laws over the head of the legislature, and the Recall, which provides that a certain proportion of the electors in a constituency may by a direct vote demand the resignation of their representative in the legislature. In Switzerland, which has longer experience of democratic government than any other country in the world, the Referendum is in constant use as a check upon the elected legislatures. The Referendum also forms part of the constitution of the Commonwealth of Australia, and its employment becomes increasingly common.

We need not, however, look abroad for evidence of the way in which uncontrolled parliamentary govern-

ment leads to tyranny. The parliamentary system cannot be worked except with the assistance of organised parties. There may be many parties, as in France, ever ready to form fresh combinations with one another to meet the emergency of the moment, or there may be only two, as used to be the case in England, and possibly will be so again. But without party machinery of some kind no average candidate has any chance of election, because the average elector will not trouble to vote for a personality who at best is a mere name to him. Even the name of the candidate may be unknown to a majority of the electors in the constituency he is wooing, though it may be a household word throughout the Kingdom on the lips of the small minority of people who take a watchful interest in the political life of their country. The expansion of the electorate will make such a possibility even more common, and will render the parliamentary candidate even more dependent than he is at present on some form of party machinery. There is little liberty of action for members of parliament now; there will be less in the future. For the caucus which puts men into parliament logically claims the right to control their votes. And the more necessary the aid of the caucus becomes to the candidates, the more irresistible will be its control over their conduct.

The first business of the caucus is to look to its own corporate interests. It has above all things to see that those who support it receive an adequate reward. That was the meaning of the attempt made in 1918 by a Liberal Whip to organise a pensions office within the Liberal Party. He wanted to be able to tell hesitating electors throughout the Kingdom that if they voted for the Liberal Party they could be sure of liberal pensions. In America this particular device for corrupting the electorate and degrading the legislature has been in operation ever since the Civil War. Political influence is constantly used to secure favourable administrative

consideration for persons who can trump up some kind of claim for services alleged to have been rendered in the American Civil War. If the pretended legal claim completely fails, the United States Congress does not scruple to grant pensions, by means of private bill legislation, to politically favoured individuals. Professor Wallace states that in the two years, 1905 and 1906, Congress passed 6940 private bills, 'principally private pension bills to place names upon the rolls which could not meet the requirements of the pension law.' [1]

Nor is it only by means of pensions or promises of pensions that candidates for parliament can corruptly win votes and compel the State to pay for the corruption of its own government. The immense extension of the functions of the State in recent years has created a vast army of officials, most of whom are voters. Their interest in obtaining increased salaries for themselves and increased chances of promotion is far more direct than any interest that some of them may feel in the general problems of national government. If they vote at all they will vote for the candidate who promises most to them in their character as employees of the State. This consideration goes a long way towards explaining the complete failure of the House of Commons to deal with the scandals revealed by the successive reports of the Committee on National Expenditure. Apart from cases of sheer carelessness due either to the incompetence of the junior bureaucracy, or to their indifference to the waste of other people's money, these scandals resolve themselves into the unjustifiable expenditure of public money for the benefit of private persons. These private persons are voters, and the instinct of self-preservation will make them actively resent in future elections any present attempt to cut down the advantages they are obtaining at the expense of the taxpayer.

Nor can the taxpayer effectively defend himself. In

[1] *Government of England*, p. 73.

the Victorian age politicians used to regard it as part of their business to study the interests of the direct taxpayer because his vote was then an important factor. As late as 1874 Mr. Gladstone thought it worth while to try to restore the drooping fortunes of his party by offering on the eve of a general election to abolish the income tax by means of economy in expenditure. To-day the payers of income tax constitute so small a minority of the electorate that no politician troubles to appeal for their support. Indeed, it is possible that more votes are to be won by deliberately attacking rather than by attempting to spare the income-tax payer. In the eyes of the Socialist Party an income tax, confined to the middle and upper classes, and rising to 20s. in the £, is an ideal in itself quite apart from the use to which the money may be put. The Socialists and those who follow their lead welcome rather than resent wasteful expenditure; it brings their ideal of confiscation nearer. Meanwhile, should any popular complaint arise against any particular tax, for example the extension of the income tax to weekly wage-earners, or the tax on amusements, the difficulty is met not by economy in expenditure but by increasing the relative burden on the rich.

In substance and in fact the expenditure of the State is determined not by the people who provide the money but by the people on whom it is spent. The immediate result is a wicked waste of human effort. Thousands of persons, male and female, who ought to be doing useful work are engaged in making a pretence of work for one another's benefit in government offices. Meanwhile they are destroying the liberties as well as diminishing the wealth of the nation. For they cannot maintain their pretence of work except by interfering with the real work that is going on outside. Hence arises the incessant and wanton interference with private business. This interference not only wastes the time of busy men by requiring them to reply to countless futile questions, but

it also constantly holds up and often entirely stops useful enterprises.

These are the immediate effects of parliamentary government with a democratic electorate. Whither do they lead ?

So long as a sufficient number of private industries remain in existence to provide the revenues required by parliament for the corruption of the electorate, as well as for the necessities of the State, the scheme will work. But the inevitable tendency both of high taxation and of bureaucratic interference is to restrict private enterprise, and this tendency operates with ever-increasing effect. As the taxable area grows less, so must the scale of taxation grow higher, for there will be fewer people to pay taxes and more people to demand government jobs. When the State has converted all profit-making private enterprises into money-losing State enterprises, it will be faced with the hard fact of having no revenue with which to meet the cost of necessary public work, such as the maintenance of an army and navy, the upkeep of streets and roads and harbours.

Then the full tyranny of Socialism will begin. When the State has completely destroyed the pecuniary motive for enterprise and industry it will be compelled to have recourse to coercion to get the necessary work done. The citizen of the future slave State, instead of escaping the tyranny of the factory bell, will find himself subject to a still more tyrannical master. He will be forced to do whatever work the State imposes upon him in return for a uniform standard of maintenance in the shape of standard food, standard clothing, and standard house-room. He will be permitted neither choice of residence for himself nor choice of school for his children, for private whims in such matters as these would hopelessly upset the smooth working of the all-controlling bureaucracy.

Needless to say, long before this point was reached human nature would revolt. But what many people

fail to see is that this is the goal towards which at the moment democracy is moving. Take as a typical example the Education Act of 1918. This Act does many good things. In particular, it abolishes half-time work for young children, and so frees the child from the compulsion of giving up its early years to earning money for its parents. The Act also proposes to increase the opportunities for later education. That is all to the good. But in addition the Act distinctly aims at reducing all education to one uniform standard. All schools, including the great public schools, which are one of the most characteristic features of English life, are to be brought under the final control of the Board of Education, and though temporarily that control may be lightly exercised, gradually the bureaucracy will increase its deadening grip. The same bureaucratic control will next be extended to the universities. We are, indeed, already moving in that direction. The ideal which our professed reformers contemplate is a complete system of State education from the crèche to the university.

Yet, surely education of all matters is one where State control should be kept down to the minimum, so that the human mind may develop, untrammelled by official codes. There are, undoubtedly, cases where intelligent interference from above—though not necessarily from a government department—is the only way of securing a standard of efficiency, which many parents are too ignorant or too indifferent to demand. But the Education Act of 1918 aims not only at raising the standard of educational efficiency, but also at lowering it in order to secure equality at the expense of liberty. One clause of the Act compelled local education authorities to abolish the few fee-paying elementary schools which they were maintaining to meet the wishes of parents who were afraid that their children might pick up unpleasant companions in the rougher type of free school.

In many towns working-class parents sent their children to a distant part of the town to a fee-paying school rather than allow them to frequent a free school in the near neighbourhood. They paid the fees gladly because they considered they received value for their money in the improved social status acquired by their children. The money paid relieved the rates and *pro tanto* diminished the public cost of elementary education. The relief to the rates, it is true, was not very great, but that was the fault not of the parents but of parliament. The Act of 1891 establishing free education, which was forced upon the Unionist Party by an ex-Radical politician, limited the fees which might be charged in public elementary schools to a very low figure, so that the financial gain to the local authorities from fee-paying schools was not very great. They were maintained mainly for the sake of meeting the wishes of the parents of the children. But if the local authorities had been left free by parliament to charge such fees as parents were willing to pay, a very appreciable revenue could have been obtained from this source.

Indeed, if the local authorities had been left free it is probable that gratuitous education would have been limited, as morally it should be, to cases of real necessity. From 1871 to 1891 the enormous majority of parents in England and Scotland paid fees for the compulsory education of their children without any thought of grievance, and in many parts of Scotland the introduction of gratuitous education was resented even by the poorest parents as an insult. The Act of 1891 was based on the proposition that the poor may justly be assisted in the discharge of their personal responsibilities at the expense of richer taxpayers, and as long as there is a large proportion of poor people in a country, that proposition constitutes a plausible, if insufficient, excuse for the provision of completely gratuitous education in elementary schools. But clearly the validity of the excuse

declines as poverty diminishes, and in view of the immense improvement in the economic position of the mass of the population since 1891, there is no longer even a plausible case for the complete transference to the State of one of the primary responsibilities of a parent.

The extension of free education forced upon local authorities by the Act of 1918 was due to quite other considerations. It was not based upon what may be called the Liberal conception of assisting the poor, but upon the Socialist ideal of degrading the rich. Its essential purpose was to enforce equality by compelling all parents to send their children to one common school. That is a gross interference with individual liberty. It was effected without any consultation of the electors by means of a clause slipped into a complicated Bill, which was rushed through parliament at a time when the mind of the country was absorbed with the daily horrors and daily perils of the war. The method by which a measure such as this comes to be placed upon the Statute Book is typical of the tyranny which in practice results from our professedly free constitution. The leaders of the Labour Party represent either to the Minister of Education, or to an influential official at the Board of Education, that universally gratuitous education is part of their programme, and they hint that they may give trouble in the House of Commons if their demand is ignored. Therefore the necessary clause is inserted in the Bill; as little as possible is said about it; and it becomes the law of the land in defiance of the wishes of the two parties primarily concerned, namely the popularly-elected local authorities who provide the education and the parents who wish to pay for it.

We could not have a better illustration of the present drift of democracy in the direction of tyranny. That drift is ultimately due to false economic teaching based upon social envy. Large numbers of voters have been

taught that the only way to lift the poor is to pull down the rich; that the way to increase wages is to destroy capital. They are able to give immediate political effect to this false economic teaching because of the peculiar faults of our machinery of government.

That machinery had its origin more than six centuries ago. The House of Commons was called into being for a very specific purpose, and its constitution was designed for that purpose. The counties and boroughs of the Kingdom were required to send representatives to the King's Court to settle with his ministers what contributions these communities should make towards the cost of carrying on the King's government. These communities, the freeholders of the county and the burgesses of the town, had definite local interests of their own, and it was the business of their representatives to defend those interests. Quite properly, the representatives were paid by the constituencies whose interests they defended. In a very short time these delegates to the King's Court established the principle that the King must listen to their tale of grievances before they would vote his supplies.

That is the beginning of parliamentary government in England. It meant the establishment of a body, more or less popular in character, with power to influence the executive government. The system worked on the whole well for many centuries, though in the later period its success was, perhaps, rather due to the innate love of liberty and to the genius for compromise which the English people possess than to the primary merits of the constitution itself. That primary merit, the direct connection between the interest of the constituency and the duties of the representative, disappeared with the defeat of the Stuarts by the House of Commons. As soon as parliament had established its own supremacy, a seat in the House of Commons became valuable for the advantages which the occupant could obtain for himself.

The constituencies then ceased to pay their representatives; instead, the candidates paid the voters. There was thus a complete inversion of the original conception of the English parliament.

Nevertheless England did in fact enjoy throughout the eighteenth and the earlier half of the nineteenth centuries a government far superior to that of most other countries, with the result that her constitution came to serve as a model for the whole world. By the latter half of the nineteenth century nearly every autonomous country had adopted the English parliamentary system. The results have often been—as in the South American Republics—ludicrously unsatisfactory. Nor need we be surprised. For long before these foreign countries began to copy our system, a wide breach had been made between its theoretical basis and its practical working. Our imitators copied the theoretical basis, not realising that this basis had its birth under conditions which had long ceased to operate. We made the system work largely because, to quote the flattering words of Professor Wallace, we had been able to prove 'that the popular will among a highly civilised people, notably gifted in public self-control and following the leadership of a patriotic governing class, is itself a sufficient safeguard to individual and national liberty.'

But can we permanently rely upon this very vague safeguard? The danger ahead does not arise from the mere extension of the suffrage to as many millions of electors as there were hundreds of thousands in the mid-Victorian period, when the House of Commons reached perhaps the zenith of its reputation. There is no reason to believe that the new electors differ fundamentally in character from their predecessors, and the machinery required for counting a thousand votes is much the same as that necessary for counting a hundred. The really important difference is the enlargement of the functions of government, which has resulted in the multiplication

of government employees, who are mostly voters, and in the complication of issues to be submitted to the electorate. The territorial basis for the election of the House of Commons, which was absolutely logical in the days of Simon de Montfort, has no relevance whatever to existing conditions. It would be hard to discover a single constituency which, in its corporate capacity, has any common interest to defend at Westminster, except, indeed, in the case of constituencies wishing to receive a bribe from the central government in the shape of some local undertaking to be subsidised at national expense. A typical illustration of this factor occurred a few years ago in a northern constituency, where each of the rival candidates promised to bring pressure to bear upon the Government of the United Kingdom to spend more money upon a local harbour. That clearly is not a form of political motive which it is desirable to encourage.

Apart from such obviously undesirable examples as this, our present territorial constituencies have no communal interest of their own in the vast number of problems now coming before parliament. Nor have the electors as a body any special knowledge, or any means of acquiring knowledge, of the far-reaching issues submitted to them. In such conditions it is altogether unreasonable even to hope for a sound judgment upon complicated economic problems. What England now has to do is to follow the spirit instead of the letter of Simon de Montfort's great achievement. We have to evolve new forms of government to deal with new problems. If our plans are to be successful they must be based, as was Simon de Montfort's, upon the principle of a direct and logical connection between the purpose aimed at and the character of the agency framed for achieving that purpose. The most urgent of modern-day problems are industrial or commercial; therefore the basis of the agency or agencies for dealing with them must be industrial or

commercial, and not territorial. The germ of such an organisation may be discovered in contemporary industrial movements.

The trade unions have already ceased to be local. They have organised themselves into great national bodies and have also created what amounts to their own diplomatic service for communicating with analogous bodies abroad on matters of common interest. Much progress has also been made in recent years among employers in the direction of combining together for common ends. These new combinations of employers are quite rightly concerning themselves with the commercial interests of the industries they control. Instead of relying upon the Foreign Office or upon the Board of Trade, or upon any new government department that may be brought into being by restless politicians, they are making arrangements, at their own expense, for the collection of commercial information abroad of the precise character required.

Combinations of employers on the one hand and employees on the other are at present largely occupied in fighting one another. But that condition of mutual hostility will not continue indefinitely. For as both sides study more anxiously the problems of world economics, they will realise that their points of common interest exceed in importance their points of conflict. From that realisation will probably spring spontaneously something that for want of a better term may be called a parliament of industry and commerce, where the representatives of different trades, both employers and employed, will meet together to discuss industrial and commercial problems from an industrial and commercial point of view. Producer and consumer would thus be brought directly face to face, for each industry consumes what other industries produce.

The need for such reasoned discussion between producer and consumer as would then be possible is con-

cisely shown in an account given by Mr. Walter Elliot, M.P., in *The Times* of 28th November 1919, of the attitude of Scottish agricultural labourers to Scottish miners. He writes :—

'I listened with great interest last week to Mr. Duncan, organiser of the agricultural labourers in Scotland. He said: *"We admit quite frankly that the eight-hours day for dairymen will frequently mean an increase of staff. To say that this will mean a rise in the price of milk is not argument. We are not going to work long hours to produce cheap milk for the miners."*'

In the same spirit French peasants are now declaring an open antagonism to town artisans, and representatives of each side have indulged in threats of violence against the other. Such antagonisms will grow all the more serious as the class consciousness of each group of workpeople is more developed. If wages are to be determined on a collective basis it is clearly desirable that the issues involved between different trades should be discussed in peaceful conference rather than left to the chance decision of industrial warfare. But it is essential that the members of such conference should, by virtue of their respective occupations, be personally cognisant of the problems with which they are required to deal and pecuniarily interested in their satisfactory settlement. The members of the existing type of parliament are not necessarily cognisant of anything except the art of winning votes from indifferent electors, and as members of parliament they have no pecuniary interest in anything except their own self-voted salaries and their chances of obtaining office. Taken in the mass, members of parliament elected for territorial constituencies are incapable of bringing to bear on commercial and industrial problems any technical knowledge, and their decisions, instead of being guided by the commercial motives which lead to commercial

success, are constantly subject to irrelevant and even corrupt influences. For these reasons the House of Commons should confine itself to functions which affect the nation as a whole in its corporate capacity—the defence of the realm, the prevention of violence and disorder, and the punishment of fraud—and should leave to bodies constituted on a commercial and industrial basis the duty of securing the settlement of commercial and industrial problems by the methods of frank discussion and voluntary agreement. If England can evolve such a constitution as this, she may yet teach the world how to combine democracy with liberty.

CHAPTER XI

THE DELUSION OF EQUALITY

FEW people have yet sufficiently realised that the establishment of absolute equality of incomes is an essential feature of the Socialist creed. Yet this fact has been repeatedly emphasised by prominent advocates of Socialism. For example, Mr. Bernard Shaw, writing in defence of Socialism in the *Morning Post* of 12th March 1913, opened his article with these words :—

'Socialism translated into concrete terms means equal division of the national income among all the inhabitants of the country, and the maintenance of that equal division as the invariable social postulate, the very root of the constitution.'

Mr. Bernard Shaw has long been one of the leading members of the Fabian Society, and has more recently been actively engaged in the propaganda department of the Labour Party. The above statement cannot therefore be set aside as an irresponsible utterance. It is fully endorsed by Mr. Sidney Webb, who may not unfairly be described as the brain of the State Socialist Party in Great Britain. In its Christmas number for the year 1917 the *Herald*—since better known as the *Daily Herald*—published an article on 'The Principles of the Labour Party' by Mr. and Mrs. Sidney Webb. The article includes the following explicit statement :—

'A mere transfer of land and capital to representatives of the community would not in itself necessarily bring about equality of circumstance. The nation would still have to

decide how the annual aggregate of produce should be shared. We suggest that in this matter the community must deliberately "choose equality," and it is this voluntary choice of equality that is one of the fundamental principles of the Labour Party.'

A still more recent and perhaps even more authoritative statement is worth quoting. The Right Hon. Arthur Henderson, M.P., in the course of an introductory chapter on 'Labour and Education' contributed to the first number of a new Socialist magazine, *The New Highway*, writes on 31st March 1920 :—

'In reforming the conditions of the teaching profession Labour believes that the vital principle of "equal pay for equal work" must be admitted. The present disparities in the remuneration of men and women teachers cannot be defended either on the grounds of justice or expediency. It is a denial of *the fundamental principle of equality upon which the Labour programme is based.*'

This statement is specially worthy of note because Mr. Henderson is the head of the official Labour Party and at one time held Cabinet office as President of the Board of Education. In passing it may be noticed that the words italicised are a logical contradiction of the words which precede them. For the phrase 'equal pay for equal work' clearly implies the further principle 'better pay for better work,' which is the negation of equality. But the passage is not here quoted as an illustration of the logical methods of an ex-Minister of Education but as an authoritative statement of Socialist ideals.

There is nothing new about them. Revolutionaries in all periods have clamoured for equality. Jack Cade, as described by Shakespeare, is the perfect type of revolutionary, and his ideas closely coincide with those of the modern school of Socialism. He tells his followers that 'all the realm shall be in common,' that 'there

shall be no money; all shall eat and drink on my score; and I will apparel them all in one livery that they may agree like brothers.' A little later a member of the bourgeoisie is brought before him—a clerk who confesses that he can read and write. Jack Cade orders him at once to be hanged 'with his pen and inkhorn about his neck.' Possibly the intellectual Socialists of Great Britain might hesitate at this point; the danger would be getting uncomfortably near to themselves. But the Russian Bolsheviks have followed Jack Cade's example on a colossal scale. In another direction Jack Cade was a prototype of present-day revolutionaries; for while preaching equality he practised autocracy. 'Away,' he cries to the mob. 'Burn all the records of the realm. My mouth shall be the Parliament of England.' Human nature is curiously persistent even among those persons in all ages who profess to be superior to its weaknesses.

That the Socialists of to-day should formulate equality as an ideal is entirely consistent both with the Marxian theories on which their creed is based and with their methods of propaganda. According to the gospel of the New Religion as laid down by Karl Marx, all the evils in the world spring from capitalism, and capitalism necessarily involves inequality of circumstance; for one man can be idly enjoying a present income as the result of his own (or his father's) past labour, while another man has to-day to work for to-day's bread. Karl Marx, moreover, specifically taught that the wealth of the rich was entirely due to the robbery of the worker by the capitalist. This teaching is repeated in the daily utterances of Socialist propagandists in their own newspapers and on public platforms. Their favourite device is to point to the large dividends declared by some big company or to the value of the estate left by some prominent man. The inequality of circumstance which these figures indicate is by itself treated as an overwhelming argument for the Socialist programme.

Nor is it surprising that large masses of people should respond to this argument. Many of the contrasts between rich and poor inevitably suggest to every mind a sense of injustice. One man lives in a spacious house with a large staff of servants to wait upon him; he can have well-cooked meals at any hour he chooses to order; his horses or his motor are always kept ready for his wants or his whims, and if he wishes to indulge in sport, beaters are employed to drive the game in front of his gun. Another man lives in a little back-room in a crowded slum; his food is poor in quality and insufficient in amount; his opportunities for amusement are extremely rare and his daily work is often depressingly dull. Assuming both men to be law-abiding citizens it is impossible to deny that the world has been unfairly favourable to one and unfairly harsh to the other. From that unassailable position it is a very short leap in logic to argue that a new social system must be established which will prevent such unfair contrasts by establishing universal equality. When such a leap is lightly taken by trained logicians like Mr. Bernard Shaw and Mr. and Mrs. Sidney Webb it is not surprising that the general mass of the Socialist Party should follow hotly upon the same trail.

Yet if this fundamental Socialist proposition be analysed it will be seen that it breaks down at the very outset. In effect the Socialists—intellectual and non-intellectual alike—all say: 'Some cases of inequality are admittedly unjust; therefore all inequality is unjust.' As a logical proposition that has exactly as much merit and no more than, let us say, the following: 'Some men have black skins; therefore all human skins are black.'[1] As a

[1] This suggested parallel is not quite so remote from possibility as it may seem to English readers. Some years ago an Indian friend of mine arranged that we should walk together in his garden, so that his wife, a high-born Mahommedan lady, might see me without herself being seen. Her subsequent comment on my personal appearance was: 'Why! he has got no skin.' In her conception the human skin was essentially a black tegument.

matter of fact there are numberless cases of inequality which are in the judgment of the vast majority of sane people essentially just. It is essentially just that the man who works hard should earn more than the man who idles; it is essentially just that the man who saves part of one week's income should be better off in the following week than the man who spends by the end of each week all he has earned. An argument which ignores such facts as these cannot be based on sure foundations.

The real question for Socialists as well as the rest of mankind to consider is whether on balance such injustice as results from inequality is greater in amount and more injurious in effect than the injustice that would result from compulsory equality. That question deserves serious argument.

And first it is interesting to note that one of the advocates of equality above quoted has himself furnished an answer to the Marxian theory on which the Socialist demand for equality is founded. Karl Marx asserted that the development of capitalism meant the progressive degradation of labour. History has proved this proposition to be palpably false, and those who wish to see its falsity demonstrated in detail should consult Mr. Sidney Webb's *Industrial Democracy*. On page 631 (edition of 1902) Mr. Webb alludes to the 'past fifty years' rise in the condition of the English wage-earning class.' In the following sentence he speaks of the 'fall in the rate of interest which has been so marked a feature of the period.' On pages 663 to 670 he describes in detail and with much skill how the operation of economic forces cuts down profits on staple articles for the benefit of the ultimate consumer. On page 672 he gives a specific illustration of the Marxian absurdity that the substitution of machine industry for hand industry has meant the degradation of labour for the benefit of the capitalist. His statement is as follows :—

'Costly hand-made lace is, in actual fact, usually the outcome of cruelly long hours of labour, starvation wages, and incredibly bad sanitary conditions; whilst the cheap article, which Nottingham turns out by the ton, is the output of a closely combined trade, enjoying exceptionally high wages, short hours and comfortable homes.'

Finally, in his Appendix, Mr. Webb gives a table showing the various increases in wages which different trades secured in the second half of the nineteenth century, and further shows how owing to the fall in the price of wheat the real wages of the workman had increased even more than the money wages.

This pæan of praise to the economic triumphs of the nineteenth century was doubtless inspired by Mr. Webb's desire to demonstrate how greatly the position of the working-classes had been improved by the development of trade unionism. That is a fair point to make, but concurrently with the development of trade unionism there was throughout the nineteenth century an enormous development of capitalism, and it will be observed that Mr. Webb specifically admits that capitalism itself, as in the substitution of machine-made for hand-made lace, had benefited the wage-earner. He also admits that competition between capitalists brought down the profits on staple articles for the benefit of the consumer, and he lays stress on the fall in the rate of interest, which clearly implies a decline in the relative advantage of capital.

His reference to the reduction in the price of wheat is a still more emphatic, if perhaps unconscious, testimony to the service that capitalism renders to mankind. Into this matter no question of trade-union action enters. The cheap bread that the people of England enjoyed in the last quarter of the nineteenth century was the direct result of capitalistic enterprise and of nothing else. The wheat-growing areas of the western continent were developed by men with a little capital of their own, seeking fortune for themselves in new countries. That

is essentially typical of the capitalistic spirit and of capitalistic methods. But these enterprising little capitalists, working for profit on lonely prairies, would not have been able greatly to affect the price of wheat in England if bigger capitalists had not come forward to build railways across the United States, across Canada and across the Argentine. Other capitalists built great steamships to convey the wheat across the Atlantic; while the much-abused capitalistic middleman organised the purchase of the wheat from the lonely prairie farmer and its ultimate sale in the form of cheap bread to millions of working-men throughout the towns and villages of Great Britain.

Admittedly there still continue to exist many of those contrasts between rich and poor with which the world has been familiar in all ages; but there is not the slightest evidence that the contrasts are greater to-day than they were in the past, when the organisation of society was based on legal status. On the contrary they are less. The contrasts between the Roman plutocrat and his slaves, between the medieval seigneur and his serfs, were immensely greater than is the contrast to-day between the wealthy manufacturer and the operatives whom he employs. Capitalism based upon free contract has not widened, it has narrowed, the gulf between rich and poor. The growth of capital, by increasing man's power to produce the things that man wants, increases the possibilities of enjoyment for all men. Doubtless the owners of capital keep for themselves as much of the advantages accruing from the use of their capital as competition permits them to keep, but the wage-earner benefits because the competition between capitalists tends to raise wages, and the consumer benefits because the competition between capitalists tends to bring down prices. The history of our own country shows that during the greater part of the nineteenth century and right down to the outbreak of the Great War the expansion

of capital was accompanied by a progressive expansion of wages and a progressive decline in prices. In addition, a vast new population was brought into being to share the new wealth that capitalism had created. It is sufficient to note that between 1851 and 1911 the population of England and Wales just doubled.

Such results as these alone suffice to discredit the Socialist conception that inequality is an evil thing, to be destroyed at all costs. For without inequality there would be very little capital, and without capital there would be no industrial progress.

When, however, we pass on to consider how this alleged evil thing is to be destroyed we are better able to realise how completely the average Socialist fails to understand the character of that human nature which he proposes to perfect. It is worth while to quote Mr. Bernard Shaw again. In the article already referred to he proceeds to state quite frankly what the consequences of equality will be :—

'At present we need not compel any one to work, because if he does not he will starve unless he is a man of property. But guarantee him an income from the day of his birth to the day of his death, and hold firmly to the resolve that, whatever else you will allow him to be, you will not allow him to be poor, and you will be forced to find some means of making him work on pain of national bankruptcy. You dare not, under such conditions, tolerate a single able-bodied idler, male or female.' (*Morning Post,* 12th March 1913.)

Other Socialists are as emphatic as Mr. Bernard Shaw in insisting that compulsory labour is a necessary feature of the new heaven on earth which they wish to establish. For example, Mr. Will Thorne, M.P., who is a prominent member of the Labour Party, said in the House of Commons on 18th March 1920 that 'it had always been a principle laid down by trade unions that men and women who were fit to work ought to be compelled to work,'

Parenthetically it may be remarked that this statement is entirely at variance with the attitude taken up by the majority of trade unionists during the war. They then said that though they were willing to consent to the establishment of compulsory military service they would not tolerate compulsory industrial service; men might be shot if they refused to fight, but they must be subject to no penalty if they refused to work in a government factory to provide munitions for the fighters. This contrast is sufficient to show what the attitude of the average working-man is likely to be when he grasps the fact that the realisation of Socialist ideals means the establishment of compulsory labour. Credit is therefore due both to Mr. Bernard Shaw and to Mr. Will Thorne for so frankly pointing out the necessary consequences of their creed. That their deduction is well founded can be quickly shown.

In the first place, the Socialist State in order to establish and maintain equality must begin by abolishing money. For if money were allowed to continue in being, one man would save part of his weekly State wage while another man spent the whole of his, and in a very brief period the provident man would be appreciably better off than his neighbours, and might even be committing the deadliest of all sins in Socialist eyes by lending his savings and taking interest for his money.

Nor would the difficulty be surmounted by adopting the plan suggested by some Socialists and substituting labour-tokens for money. For at the end of the first week some persons would draw from the municipal stores goods to the full value of the tokens earned; other persons would reserve some of their tokens for future use. About the middle of the second week some of the persons whom Nature had endowed with the habit of lavishness would go to their more thrifty neighbours to borrow a few tokens to carry on with till the next pay-day. At the end of a month a considerable section

of the community would be in debt, and another section would be on the high road to capitalism.

Doubtless this danger could be partly obviated by providing that the labour-tokens must be converted into goods in the week in which they are issued ; but that would not suffice to maintain the equal division which the Socialists postulate. For if any kind of choice were left to the worker some persons would convert their labour-tokens wholly into goods required for immediate consumption, such as food, drink, and fuel ; others would economise on these immediate requirements in order to obtain possession of articles of a more permanent character, such as good linen or well-made furniture. And again, at the end of a month or a few months we should have the contrast between riches and poverty. Some homes would be well furnished, the wife and children well dressed, and on the walls and in the bookshelves would be evidence of a love of art and an inclination to literature. In other homes the barest necessaries would be lacking or maintained in a condition of squalor, and towards the end of each week the family would habitually be living on short-commons. A new Socialist prophet would then come forward to lead a new crusade for the abolition of labour-tokens, the equal distribution of equal rations day by day, and the periodic allocation of garments of uniform quality and cut. It is unnecessary to dwell on the hideous waste of materials which such a system would involve. Even under Socialism we shall not all have the same appetites, and if the allowance of food is made sufficient for all it will be excessive for many.

But far more important than this waste of inert material would be the waste of human lives. This is an aspect of the matter which Socialists never seem capable of understanding. Their creed is essentially inhuman ; by which I mean that it is entirely removed from the real facts of human life. There are certain

fundamental instincts which have been with us since the world began, and will be with us till the world ends. Prominent among these are the love of possession, the love of offspring, and the love of liberty. Under the régime of equal incomes, every one of these instincts would be suppressed. Possession in any real sense would be forbidden, for individual ownership of goods and chattels would be fatal to Socialist equality. Yet there is not a man or woman or child alive who does not desire to possess something of his or her or its own.

The instinct which prompts men and women to do their best for their own offspring would also have to be ruthlessly crushed, for it is only by the use of money and the machinery of capitalism that a parent can make provision for his child to have a better time in the world than he himself has had. Yet this instinct is one of the main causes of the progress of the world. It would also be necessary to forbid parents to devote special care to the upbringing of their own children, for the child that had been carefully taught might destroy the Socialist rule of equality by creating an unpleasant contrast between its accent and manners and those of other children. Nor would it even be possible to permit parents to have children at all without the consent of the authorities: for if all the inhabitants of the country are to be maintained in equal comfort it is clearly intolerable that any one couple should be permitted for their own pleasure to alter the due proportion between children and adults.

Finally, the instinct of liberty, which perhaps of all human instincts most merits the epithet divine, would be crushed into nothingness under the steam-roller of the Socialist State.

It may be replied that under the reign of capital a good many people have very little liberty. That is painfully true, but there is certainly more liberty in England to-day for all people than there was in past days when a considerable number of the inhabitants of the country

were by the law of the land slaves or serfs, chattels of their owner or belongings of the soil. Those days, which most of us dreamed had been swept away for ever by the progressive enrichment of mankind as the result of capitalism, the Socialists wish to restore, and not for one unfortunate class alone but for the whole community.

At present every man, however limited his opportunities, however meagre his capacities, has some freedom of choice both as to the nature of his work and as to the quantity of his work. No doubt the ever-growing tyranny of trade unions tends to limit the wage-earner's liberty, but for that limitation capitalism is not to blame. The essential postulate of capitalism is that all men should be free to follow whatever occupation they prefer, and in spite of trade-union restrictions a considerable freedom of choice still remains to most men. Even if a man finds it difficult to change his job he can generally change his employer if he is only a moderately good workman. In many occupations, moreover—*e.g.* dock labour—the workman has a very wide liberty as to the quantity of work that he need do in any given period. If he can earn as much money as he wants in three days he is free to take a holiday for the rest of the week. Habitually thousands of working-men take holidays when they choose and at their own expense for race meetings and other recreations. That is a perfectly legitimate use of industrial liberty.

Under the reign of equality which the Socialists contemplate this liberty of the workman to work or not to work at his own choice would disappear entirely. For if all are to receive equal rations all must be compelled to perform the tasks allotted to them. Nor could there be any free choice of occupation. Each person would have to accept the job assigned to him by the industrial superintendent, however unsuited the job might be to the physical or mental capacity of the conscript worker. The whole industrial system would, in fact, have to be

organised on a military basis, and men and women workers would be sent hither and thither like squads of soldiers in accordance with the orders received from the central bureaucracy.

That English men and women whose ancestors fought and died for liberty would ever tolerate this all-pervading inhuman tyranny is barely thinkable. But if perchance by some well-organised conspiracy, such as Lenin has so cleverly engineered in Russia, the Socialists were able to secure sufficient power to establish the wholesale terrorism by which alone such tyranny could be maintained, then this is certain, that in a very brief period the enormous wealth which the stimulus of inequality has created throughout the world would disappear, and the problem before the Socialist government would be —not how to distribute evenly the refinements and luxuries of civilisation—but how to secure in sufficient volume the bare necessaries of life for the members of the community. For the experience of the world has demonstrated that it is impossible to devise any system of compulsion which will induce men in the mass to work as efficiently and as intelligently as they willingly do for the hope of reward.

The Socialists, by the way, are for the most part discreetly silent as to the form of compulsion which they propose. But the logic of facts will drive them back to the method of every slave-driver—flogging, with death in the background as the final argument. And the reason is fairly obvious. For no State could afford the expense and trouble of keeping in prison millions of conscientious objectors to compulsory labour.

If we proceed to ask why men who profess, and probably feel, a sincere desire to benefit mankind should put forward proposals which lead to such conclusions, the only answer that can be found is that these persons are the votaries of a new faith, and like most other religious zealots they regard the observance of their creed as an

end in itself. The history of the world is full of hideous examples of the consequences which ensue from this mental attitude. Some of the worst cruelties from which men and women have suffered in past centuries have been inflicted in the name of religion. The truth has been perverted, knowledge suppressed, and fetters placed upon the human mind in order to maintain intact the dogmas of a particular faith. It is sufficient to recall the fact that the Church of Rome compelled Galileo to forswear his discovery that the earth moved. In the same spirit the modern Socialist, accepting the gospel of Karl Marx as divinely inspired, ignores all established facts and all human tendencies that conflict with that creed.

Even if equality were an ideal it would be useless to put it forward as a goal to aim at unless there were some reasonable chance of attaining it. The experience of the world shows that equality of circumstance never has been attained. Inequalities exist among the lowest of savage tribes as well as in the highest types of civilisation. It may be argued that these facts are inconclusive ; that man's nature is capable of improvement ; that man can be taught not merely to treat his neighbours fairly, but to treat himself unfairly for the benefit of his neighbours, and to sacrifice his own aspirations so as to keep level with them. The assumption is a large one, and the conduct of most modern Socialists does not suggest that they have as yet personally adopted this new morality.

Undoubtedly there always have been in the past and still are, and probably always will be, some men who will day by day sacrifice themselves for the good of others. There are many more men who will temporarily face such sacrifice and courageously maintain it as long as the inspiration within them lasts. But the significant fact is that even when such men get together and form communities based upon the Socialist principle of equality the experiment lasts but a little while. It is, of course,

true that monastic communities have been maintained for centuries; but they depended not only upon the work of their own members but upon the contributions of supporters without, mere individual human beings, bound by no monastic vows. If we wish to test the purely mundane theories of modern Socialists it is useless to seek an example in the conduct of men who professedly turned their backs upon this world in order to prepare for another.

The only examples of communistic experiment which are in the least degree relevant to the Socialist creed are experiments made in fairly recent times by men who deliberately grouped themselves in industrial communities in the hope that by working together on a communal basis they could achieve a higher life and set an example to the world. There were many such experiments made in America towards the middle of the last century, and their story is well told in Nordhoff's *Communistic Societies of North America.* With one exception, all these societies were celibate. Communism usually takes flight when sex appears. But the establishment of celibate communistic societies is clearly an insufficient contribution to the solution of the world's social problems, unless indeed the ultimate goal of socialistic dreamers is the extinction of the human race. One of the American societies was more courageous. The Oneida Creek community permitted free sexual intercourse, but children were not to be propagated without the sanction of the community. 'Selfish love,' *i.e.* individual affection, was sternly condemned. Nordhoff describes how one young man was publicly censured for showing 'an exclusive and idolatrous attachment' to the woman assigned to him for the purpose of 'stirpiculture'; the woman, about to become the mother of his child, was transferred to another man. Even these Perfectionists, as they called themselves, have passed away. Human instincts can be relied upon to kill any form of communism.

A more recent example of the attempt to put Socialist theories into practice was provided by a group of Australian Socialists in the early 'nineties of last century. There had been much industrial trouble in Australia, undoubtedly aggravated by Socialist theories. The Labour men were beaten after enormous losses had been inflicted upon the Australian States. As a result the Socialists were ready to listen to new proposals to secure their emancipation from what they called ' wage-slavery.' At this critical moment William Lane, an Australian journalist of English birth and American experience, came forward with a scheme for founding a Socialist community in a new country. Funds were rapidly subscribed, and a mission was sent out to select suitable territory. An ideal spot was found in the State of Paraguay, in South America. The Government of that State warmly welcomed the proposed settlement, assigned to the Socialists 600 square miles of magnificent land, and actually went to the length of buying out squatters who had settled on portions of this vast estate, so that the incoming Australians might have the place to themselves.

In addition to these advantages conferred upon them by the Paraguayan Government, the Socialists brought with them a group of very fine men and women, and a considerable amount of capital which these victims of capitalist tyranny had accumulated during their wage-slavery in Australia. But their troubles began the moment they set sail. The question of discipline, which had been conveniently forgotten while the scheme was in its preliminary stage, emerged directly this community of enthusiasts found themselves on board ship, and after some hesitation William Lane made use of the proxies with which he had been supplied by the members of the association left behind to declare himself dictator. No suggestion is made that he acted from any personal motives. He was a whole-hearted enthusiast. But he forgot that the liberty which men want is their own

liberty, not such liberty as a dictator sketches out for them.

The first serious crisis came within a few weeks of their settling on their estate. A few of the members, tired out with their work, went to a neighbouring Indian village for a drink. This was, in Lane's eyes, an unpardonable sin, and he utilised his authority to expel these members from the association, though most of them had paid every penny they possessed to the funds of the community. One of the men expelled had contributed no less than £1000. The rest of the members regarded this exercise of authority as tyrannical, but Lane was able to carry through his arbitrary action with the assistance of the Paraguayan police.

This incident, though extremely valuable as illustrating the Socialist idea of liberty, stands apart from the industrial lessons to be learned from the Australian experiment in Paraguay. The real point which emerges so clearly from the history of 'New Australia'[1] is the impossibility of getting human beings to work as hard for the community as for themselves. The fundamental principle of this model settlement was 'One for all and all for one,' but in practice it was found that the main anxiety of every man was to do no more than his fair share of work for the common cause. The community was also embarrassed by the heritage of nonsense it had derived from Socialist literature. In books like *Looking Backward* and other fables of the Socialist Party, it is laid down that under Socialism a few hours' work in the day will suffice to procure more than ample wealth for all. Therefore it was not unnatural that these Australian Socialists, settled upon rich land which they received for nothing, should imagine that it was not necessary to overwork themselves. It was much more amusing to practise music or to hold public meetings than to fell timber and to sell it in the nearest town,

[1] *Where Socialism Failed*, by Stewart Grahame. (John Murray.)

where high prices were obtainable. As a result of these fundamental defects the community, though it started with every conceivable advantage—plenty of land, plenty of capital, plenty of good human material—went rapidly backwards, and the collapse would have been more rapid still if the community had not been kept afloat by a fresh influx of enthusiastic recruits bringing fresh capital from Australia.

After this second batch had arrived William Lane was deposed, and set up a still more select colony on other territory, again obtained from the generous Paraguayan Government. Here at last the necessity for hard work had to be faced, and if any one believes that Socialism is going to produce peace and plenty it will be worth his while to study the picture drawn by Mr. Grahame of the squalor and misery endured year after year by these unfortunate enthusiasts who had left 'wage-slavery' and comfort behind them in Australia, and who, as the direct result of their false theories, only succeeded in producing in Paraguay what one of their number described to the British Consul as a 'hell upon earth.'

If these Australian enthusiasts, with every advantage in their favour, failed to make communism a success, what chance is there of the mass of mankind succeeding? Yet without compulsory communism the maintenance of the Socialist ideal of equality is impossible.

It would be interesting, by the way, to ascertain whether the orthodox Socialist postulates equality throughout the world or only equality between members of one race inhabiting the same country. Karl Marx was essentially an internationalist, and many of his followers regard patriotism as a capitalistic superstition. In their view all the workers of the world are brothers. If that be so, the principle of equality must be carried farther than the prominent advocates of Socialism have yet ventured to suggest. There are probably at least three hundred million peasant cultivators in eastern

Asia who seldom have more than one meal a day. Are they to be placed on an equality with the well-paid mechanics of western Europe and the United States? The answer of the average white working-man to that question can be inferred from his attitude to the coloured races. White democracy refuses even to admit that the black man is entitled to equality before the law. In America the negroes are subjected to the humiliation of 'Jim Crow' cars; in South Africa the colour bar is rigidly and cruelly enforced by trade unions of white wage-earners; in Australia there are laws to prevent the coloured races from setting foot in that vast continent, and vessels employing Lascar sailors are subjected to serious disabilities in Australian ports. Even in England, where racial intolerance is happily less than in the colonies or America, white sailors have gone on strike to prevent the employment of Chinamen. In all these cases the conduct of the white worker is an indefensible breach of the principle of fair-play. Whatever be the colour of a man's skin he is entitled to claim an equal opportunity of earning his own living. Men who selfishly and arrogantly deny even that amount of equality are not likely to share their wages on equal terms with the millions of dark-skinned men who make up the majority of the human race.

The plain truth is that the Socialist conception of equality is not an ideal but a delusion. Nobody wants equality. Trade unionists, it is true, insist on standard rates of pay, and this fact gives some plausibility to the Socialist demand for equal distribution, but the plausibility is only on the surface. The demand for standard rates of pay in each trade is the necessary outcome of collective bargaining, but it does not carry with it any approval of the idea of universal equality. The trade unionist is invariably keen to emphasise the distinction between different grades of skill, and men who were previously content with their wages will go on strike for

an increase if the men below them have received a rise. Even civil servants hate equality. For example, in the summer of 1919 a committee, presided over by Lord Gladstone, recommended that some of the existing classes in the civil service should be swept away and the service divided into two new grades. This would have involved grouping second-division clerks with assistant clerks. The proposal was denounced by the second-division clerks as 'an unwarranted indignity'; they demanded instead that all the efficient members of the second division should be promoted to the first grade.

Even when men start in absolutely equal circumstances they cannot maintain the equality. On this point the account given by the first Lord Brassey of an experiment made by his father, the great railway contractor, is worth restating. In order to construct the earlier railways in the Argentine it was necessary to make special arrangements to secure European settlers. Some hundreds of families were collected from different parts of Europe. In the words of Lord Brassey :—

'Their passage was paid. A free grant of 80 acres of fertile land was made to each family. For each a house was built, tools and seeds provided and provisions supplied for twelve months. I visited the settlements three years after they had been formed. All the settlers had started level in the race of life, and all had had a good start. The majority were highly prosperous. The less fortunate —and they were many—were being fed at soup kitchens.' (*Times*, 25th December 1905.)

This episode sufficiently illustrates the general truth that while some people have the capacity to rise others have only the capacity to sink. It follows inevitably that if equality is to be maintained all must be reduced to the level of the lowest. In a word, the equality of circumstance which Socialists demand means degradation.

How then does it happen that this hideous delusion should have obsessed so many minds? So far as the

Socialists are concerned an answer to this question has already been given. They are merely carrying to its logical conclusion the dogmatic teaching of a false creed. But other people besides the followers of Karl Marx vaguely imagine that equality is a desirable ideal. The explanation is probably twofold.

If we look only at the facts of the moment it shocks our innate sense of justice that a man who has never done a stroke of useful work in his life should be able to enjoy every luxury that the world can produce, while another who has worked steadily and hard ever since his childhood should be able to command only the bare necessaries of life, and in his old age should be dependent upon public charity. A good many people excusably jump to the conclusion that the way to remove this palpably unjust inequality is to aim at establishing universal equality. As the preceding argument shows, this imagined remedy would only create fresh and more widespread injustice by compelling all to accept conditions of life which none want.

It is rarely wise, as Bastiat so clearly points out, to take account only of Things Seen; the Things Unseen are often equally or even more important. That some present fortunes are due to past thieving may be true. But in the main the idle rich to-day owe their wealth to past work, the work of those from whom they inherit, and if the legal power of bequest had not existed much of that past work would never have been done. Many men will work hard and live sparingly for the benefit of their own heirs; very few will make either sacrifice for the good of humanity. By recognising the right to property and the power of bequest the world has secured its railways and steamships and coal mines, its docks and harbours, and the vast capital sunk in the equipment of modern industries. These things are the result of past labour; their continuing value is worth paying for, even though payment involves the occasionally unpleasant

spectacle of the idle rich ostentatiously flaunting their wealth. For these reasons the visible contrast between riches and poverty furnishes a very poor excuse for accepting the false ideal of equality.

There is another and perhaps more plausible excuse. If by equality were only meant equality before the law then the demand for it would be fully justified. The equality of all citizens in the eye of the law is an essential condition of freedom; it cannot be denied without injustice. It is the duty of the State to maintain equal justice for rich and poor, for the strong and for the weak. This equality is welcomed by all men—at least by all who wish to treat others fairly and themselves to be fairly treated. Equality of circumstance is a totally different matter, but when the word 'equality' is used by itself without further definition, many people think only of the equal justice which all men desire, and never picture in their minds the equal food, equal clothing, equal barrack accommodation which no man wants.

What exactly the French revolutionaries meant when they linked together *liberté, égalité, fraternité* in one refrain it is not easy now to discover. They certainly established no equality of circumstance, and some of the laws of the revolutionary assembly, as explained in an earlier chapter, were even directed to preventing working-men from forming organisations to improve their wages. Yet the linking together of these three words and their adoption as the motto of the French Republic has undoubtedly helped to encourage the delusion that equality of circumstance is a thing to be desired. As a matter of fact equality in this sense is irreconcilable either with liberty or with fraternity. There can be no liberty for mankind if all are compelled to adopt an equal standard of life against their will; there can be no fraternity if all are compelled to associate together on a common footing, regardless of natural disinclinations. Yet liberty is an ideal which all men

desire; fraternity is a feeling which, in its wider sense, ought to inspire all our social life. Both are attainable in a very high degree through the steady development of two human qualities of which traces are to be found in almost every one—the spirit of tolerance and the spirit of friendliness. But equality can never be established under any conceivable industrial or social organisation, because the better elements in the human race will never consent to the degradation that equality involves.

CHAPTER XII

NATIONALISATION[1]

THE present demand for the nationalisation of many of our most important industries is a political paradox. Government interference with industry and commerce during the war, and in the months succeeding the Armistice, has created an ever-growing volume of public irritation. Reversing the old Latin tag, it may be said that the Government has touched nothing that it has not disfigured. And yet after this accumulated experience of the handiwork of the State, we find powerful organisations engaged in trying to force Parliament to transfer to the ownership and control of the State industries of such immense importance as the coal industry and the railway industry, while minor organisations are busily but less noisily advocating the nationalisation of land, both urban and rural. There is even an occasionally expressed demand for the nationalisation of shipping and banking.

The main explanation of the paradox is that war-time experience of State control has created a widespread belief that under nationalisation the manual worker will get higher wages than under private enterprise. This belief has given a new political value to the whole movement for nationalisation. Before the war the advocates of State Socialism, though extremely energetic, were comparatively few in numbers. Most of their arguments were necessarily of a theoretical character, and the mass of mankind feels little interest in theories.

[1] A large part of this chapter first appeared in the *Edinburgh Review*.

The average workman is much more concerned about the amount of his wages than about the principles of Karl Marx. He is also concerned to secure shorter hours of working, not so much for his own sake as out of loyalty to his fellows. The demand for shorter hours is usually a collective demand put forward in the belief that the shortening of the hours of work necessarily reduces the danger of unemployment. But both the individual desire for a better wage and the collective demand for shorter hours conflict, sooner or later, with the interest of the private employer. Doubtless many private employers might, in their own interest, wisely have paid higher wages to some workpeople than they were doing before the war; and equally in their own interest they might wisely have reduced in some cases the hours of working. But a point must come when a further increase of wages, or a further reduction of hours, will irreconcilably conflict with the employer's interest by entirely wiping out his profit.

Before this point is reached the private employer is compelled to oppose further concessions, not only for his own sake, but for the sake of the industry itself; for if all chance of profit disappears, the capital necessary to continue the industry will no longer be forthcoming. In the pre-war period these considerations were appreciated by large numbers of workpeople, especially in well-organised industries, such as the cotton industry. The Lancashire cotton operatives have for a long time past fully understood that the continuance of their employment depends on the possibility of producing cotton goods at a price low enough to command a market in India and China, and other overseas countries. They also have long understood that capital for building new mills, or for re-equipping old ones, will not be forthcoming unless the capital already employed can show a fair profit. Their demands for better wages and shorter hours are therefore limited by these conditions. In

many other industries, though perhaps in none so clearly as the cotton trade, these fundamental limitations are appreciated, and workpeople realise that if they press their demands on private capital too far the source of their employment will disappear altogether.

The war has revealed the existence of entirely new possibilities—or apparent possibilities. Where men have been employed by the State, they have discovered that there is apparently no limit to the demands which they can successfully make. During the war they had only to ask in order to get. Not only had they the immense advantage of having the law of supply and demand in their favour, as a result of the military demand for man-power, but in addition they were able to bring to bear upon the State, which was directly or indirectly their employer, a tremendous political leverage by threatening to strike. In some industries, such as the coal industry, a prolonged strike at critical periods of the war might have rendered our armies almost impotent, and involved the defeat of ourselves and our allies. Whether the men would have carried their threats to such a point it is difficult to say, but ministers, in face of the possibility of such an overwhelming disaster, made concessions to avert the peril. It is significant that some of the miners' leaders have openly boasted that they secured, on several occasions, increases of wages by threatening to strike during the war.

Since the war a new factor has appeared, or rather an old factor has reasserted itself. Politicians are dependent upon votes, and weekly wage-earners possess a very large proportion of the total voting power of the nation. Therefore it is worth the politician's while, in his own interest, to win the approval of the wage-earning class, even if by so doing he injures the nation. He may not even know that he is injuring the nation. There is no obligation upon a member of Parliament, or even upon a premier, to study the problems of national economy.

It is sufficient for success in political life to be able to estimate what course will produce most votes; the rest can be left to chance. An increase of wages granted to any one group of workpeople is generally approved by other wage-earners; for the fact that wages are primarily paid by an employer creates the impression that any wage increase means a gain to the wage-earning class at the expense of the employing class. Consequently, ministers of the Crown, shrewdly estimating their own political interests, have repeatedly, during the war and since the war, made lavish concessions to the workpeople employed in industries that have come under State control. It is not surprising that the rank and file of the wage-earning classes should draw the inference that State employment necessarily means better pay and shorter hours.

Thus, on the one hand, we have widespread irritation at the wastefulness, obstructiveness, and inefficiency of State management; on the other hand, we have a powerful political and industrial movement in favour of the wholesale nationalisation of industry. The issue presented to the country is graver than any with which it has been confronted since the critical days of hesitation that preceded 4th August 1914. The danger is that the issue may be decided by the counting of heads before the heads to be counted have had time to weigh the arguments.

At the outset let it be admitted that, up to a certain point, there is full justification for the popular belief that the State can afford to pay any wages that are asked. Provided the State is only responsible for one or two industries of very moderate dimensions, it can continue indefinitely to pay almost any wages to the workpeople employed in those industries; for it can obtain the necessary revenue by taxing all the other industries of the nation. At the present time (1920) the State is responsible for the financial results in at least three very im-

portant industries—the Post Office, the railways, and the coal mines. In all of these the State, or an organisation acting under the orders of the State, has a monopoly, and can charge what it chooses for the goods and services supplied. The payments to meet those charges have to be met out of the wealth produced by private industry, so that the State, through its monopoly, is in a position to debit private enterprise with the cost of the high wages paid to the employees in these State-controlled industries. As a matter of fact, the charges at present made are not sufficient to cover costs. The Post Office and the railways are worked at a loss, and coal for domestic consumption is sold for less than cost price. Some of the losses on household coal sold below cost are made good out of the profits on coal exported; but the larger part of the deficit on State enterprises has to be met either by taxing private enterprise or by borrowing from private capitalists—using the word 'capitalist' in its correct sense as meaning any person, rich or poor, who invests money or has money available for investment. In the financial year 1919-20 public revenue did not cover our aggregate public expenditure, so that it may fairly be said that these great industries were in that year partly maintained by the State out of additions to the national debt. The same statement is true for the year 1920-21, when allowance is made for the fact that the Budget is only made to balance by treating as revenue various capital assets which ought on any sound system of accountancy to be assigned to the reduction of debt.

Sooner or later these methods of financing great industries must come to an end. And the end will be reached all the sooner the further State enterprise, on similar lines, is extended; for each additional State-controlled industry, with its high scale of State-guaranteed wages, will mean an additional burden on the public exchequer, with a simultaneous reduction in the number

of profit-yielding private enterprises. To put the matter in a sentence—as fast as State enterprise is extended, the possibilities of obtaining revenue by taxing private enterprise are diminished. Consequently, when all the industries of the nation have passed under State control, the State will have no source of revenue except its own industrial operations. It will then only be able to pay wages out of the actual product obtained, minus whatever sums may be required for the cost of administration, for the renewal of plant, and for the extension of business. In other words, the State, as universal employer, will be subject to exactly the same limitations as those which now determine the wage-paying capacity of private employers. When this fairly elementary proposition is grasped, it will be seen that the high wages paid by the State during and since the war, furnish no argument in favour of a policy of wholesale nationalisation. On the contrary, unless it can be shown that State management is more efficient than private management, the extension of State enterprise must mean the lowering of wages, even in those industries now under State control. For as soon as the State loses the revenue which it now obtains by taxing private enterprise, and loses also the possibility of borrowing from private capitalists, the general body of workpeople will certainly insist that the wages in the industries at present favoured shall be brought down to the general level.

Thus the real question to be decided is whether we can rely upon State enterprise to produce better industrial results than private enterprise. If not, if the product of the State is lower than the product of the private employer, then inevitably the employee of the State will ultimately be in a worse position than he would have been if private enterprise had continued.

State Socialists invariably assume that State enterprise is more economical than private enterprise. Before discussing the theories which underlie this assumption,

it is desirable to examine it from the point of view of practical experience. From that point of view the answer is conclusive. Neither in our own country, nor in any other country, is there to be found any instance of a State enterprise competing successfully on even terms with private enterprise. In the vast majority of cases the State begins by establishing a legal monopoly in its own favour, so as to be immune from competition. Even so there are very few instances of the State producing results which are satisfactory, from the financial point of view. In our own country there are none.

For many years it was the habit of State Socialists in this country to claim the Post Office as a brilliant example of a successful State enterprise. They pointed to the handsome profit of four or five millions a year; they emphasised the excellence of the regular collection and distribution of letters; and they might also have noted the fact that postal servants were being paid at a higher rate than men doing work of similar difficulty, or simplicity, in private enterprise. On the surface the case looked magnificent. But what are the facts?

In its origin the Royal Mail was, as its name implies, a Royal service. It was instituted for the conveyance of letters to or from the Court on affairs of State. As late as 1621 all the posts of the Kingdom, which even then were only four in number, started from the Court.[1] Private individuals were permitted to despatch letters by the Royal Post; but it was expressly provided in the same reign, that of James I., that 'no pacquets or letters,' except such as were on the King's service, should 'binde any poste to ride therewith in post.' Constant attempts were made by private persons to organise the conveyance of private letters; but the Government would not even permit merchants to send letters by their own agents, lest the correspondence should be used for promoting plots. Somewhat later the idea of making the King's

[1] See *The History of the Post Office*, by Herbert Joyce.

post a source of profit to the State began to develop, and in the middle of the seventeenth century a definite scale of charges was authorised, beginning with 2d. for any distance under eighty miles. The charge to Scotland was 8d., to Ireland 9d. These were the charges for 'single letters'; what were called 'double letters' paid double fees. In spite of the small amount of correspondence, these heavy fees were lucrative, and the Crown obtained an appreciable revenue. But the Royal Post only dealt with letters between town and town on specified routes; it had no local organisation for the collection and delivery of letters.

Towards the end of the seventeenth century William Dockwra, a merchant of the city of London, financially assisted by some of his friends, organised a local service for the metropolis, which was in some respects in advance of the London postal service in the twentieth century. On 1st of April 1680 Dockwra opened between four and five hundred receiving offices, where messengers were to call for letters every hour. In the centre of London there were ten to twelve deliveries a day; in the suburbs, four to eight. The service included parcels up to one pound in weight. The charge throughout the greater part of London was one penny, which covered not only the cost of collection and delivery, but also insurance up to a value of £10. The charge had to be prepaid, so that to Dockwra, in the seventeenth century, belongs the credit of introducing the system of payment in advance, which was not generally adopted by the State Post Office till the nineteenth century. Further, he has the credit of introducing the system of postmarks, which he devised in order to provide his customers with a means of testing the efficiency of the service. At the end of twelve months this daring venture began to be self-supporting. But immediately its success became evident, the Duke of York, on whom the profits of the Royal Post Office had been settled, complained that his

monopoly was being infringed, and brought an action to test his claim. Dockwra lost, and was condemned to pay heavy damages. The organisation which he had built up was annexed by the State, and was maintained for several generations as a special branch of the Post Office.

The penny post of modern times was forced upon the Post Office by an agitation led by Rowland Hill, who, approaching the problem from a non-official point of view, saw clearly that when a large number of letters are carried, the cost of conveyance per letter is insignificant, and that consequently a uniform rate, regardless of distance, had become a feasible proposition. He pressed this point on the public, with the result that uniform penny postage for letters was authorised by Parliament in 1839, in defiance of the bitter opposition of the Postmaster-General. That opposition was based on the calculation that the immediate result of lowering postal rates would be a reduction in the net profits of the Post Office. The calculation was justified by the first few years' experience, but the loss was quickly made good by the expansion of business, as Rowland Hill with sound business instinct had foreseen. The advantage to the country of this reform, forced upon the Post Office from outside, was immense, and the example set has been copied by all other countries. But it is significant to note that some of the peculiar merits of the local service which Dockwra had instituted in London have disappeared. Under Dockwra the penny charge covered both letters and parcels up to one pound in weight and provided insurance up to £10 in value.

Thus there is nothing in the earlier history of the Post Office to justify the praise which has been lavished upon it by Socialists as an example of State enterprise. Nor is there any display of special ability in its modern performances. It has to be remembered that the present efficiency of the postal service is largely dependent upon the existence of roads and railways throughout the

Kingdom. Both are the creation of private enterprise. That our railways were built by private capitalists everybody knows; but a good many people, who have grown up in an era of public-highway authorities, do not realise that the highways, which are now kept in order at public expense, were most of them originally built by private capitalists, who recouped themselves for their expenditure by charging tolls to the persons who used the roads. The Post Office pays nothing at all for the use of these roads, and only a moderate fee for the use of the railways. Its main operations consist in sorting the letters at the different offices, carting them to and from the railway, and distributing them from house to house.

In evidence given before the Committee on Public Retrenchment in the autumn of 1915, the Secretary to the Post Office stated that the department calculated that the total cost per letter was then just under a halfpenny, and on this account he justified the continuance of halfpenny postcards and halfpenny circulars. The bulk of the business consisted of penny letters. Thus the alleged triumph of the Post Office resolves itself into this: that a government department possessing an absolute monopoly was for many years able to make a large profit by charging a penny apiece for hundreds of millions of services, each costing, on the average, rather less than a halfpenny. The work, it must be added, is of the simplest possible character. A letter carrier needs mainly to be able to walk and to read; a letter sorter to stand and to read. No elaborate financial arrangements are needed for running the business, for the service is paid for before it is performed. Under such conditions a child could hardly fail to make a profit.

The other services performed by the Post Office are slightly more complex, and in every one of these State enterprise has proved a failure. The telegraph service has been in the hands of the State since 1870, and in

every year except the first two there has been a loss. The aggregate loss is well over £30,000,000. When the proposal to purchase the telegraphs was first made, the advocates of the scheme refrained from asking for any monopoly for the State; but when the scheme was embodied in a Bill, a clause was slipped in, conferring upon the Postmaster-General an absolute monopoly of communication by means of electricity.

To demand a monopoly is itself a confession of incompetence. A man who knows that he is capable of running an undertaking efficiently is willing to face competition. The State knows that its work will be relatively inefficient and therefore it always demands a monopoly. Where there is no monopoly the State can always be beaten. One result of the monopoly conferred upon the State in 1870 was that, when the telephone was invented, the Post Office for several years used all its power to stifle the new invention. This is the main reason why the telephone was more slowly developed in the United Kingdom than in the United States, and also in comparatively poor countries like Sweden and Norway. The progress of the telephone, in spite of official obstruction, finally decided the Post Office to buy out its competitors. By the common consent of all telephone users the result has been an inferior service. Nor have the financial results been satisfactory. For a few years receipts covered costs, but the service is now being run at a loss. The minor services worked by the Post Office —parcel post and money-order service—are not protected by a monopoly, and involve a financial loss to the State.

These facts sufficiently dispose of the favourite Socialist theory that the Post Office is a brilliant example of the success of State enterprise. It is indeed improbable that Socialists will, in the future, dwell so often as they have done in the past on this alleged triumph of State Socialism. For, since the war, the profit on letter carrying, which was the outstanding feature of the pre-war

Post Office, has disappeared, in spite of a 50 per cent. increase in the principal charge for letter postage. The result is that the annual estimates of the Post Office now show a heavy deficit. In the year 1919-20 the realised deficit on the Post Office services was £3,914,000. In the year 1920-21 the estimated deficit on the basis of the maintenance of the old charges was £3,189,000. To cover this deficit the Chancellor of the Exchequer proposed to increase letter postage to 2d. and to add appreciably to other charges. By these changes he hoped to raise an additional revenue of £6,500,000; but at the same time he anticipated a further addition to expenditure of no less than £8,000,000 for increased wages to postal servants, bringing the probable deficit for 1920-21 to £4,689,000. In round figures a pre-war profit of about £5,000,000 is converted into a post-war loss of about the same amount, in spite of the very heavy increase in all postal charges. This financial inversion is mainly due to the fact that the wages of postal servants have been raised without regard to the selling value of their services. The payments made to them, added to the other expenses of the department, exceed the revenue obtainable from the charges which the department makes to the public. Thus the one supposed example of the success of State enterprise has become a commercial failure.

In other directions the Socialist claims are less definite. They vaguely allege that State railways have been a success in the Australian colonies, but these allegations are not supported by facts. Socialists also claim that German State railways have been brilliantly successful. That State railways in Prussia—though not in the other States of Germany—yielded before the war a handsome net profit is well known. But those Socialists who have quoted this fact as a proof of the superior efficiency of State railways have ignored several essential considerations. In the first place, railway construction throughout

northern Germany was immensely less expensive than railway construction in England, because of the flatness of the country. To quote Mr. Pratt: 'There is, in fact, not a single railway tunnel in the whole of North Germany, nor does the railway pass through a single deep cutting or a single high embankment.'[1] That is a fundamental distinction between Prussian and English railways.

Equally important in comparing rates charged is the fact that Prussian rates, unlike English rates, do not include collection and delivery. In Prussia collection and delivery of goods are undertaken by private forwarding agents, who make a separate charge, quite distinct from the purely railway charge. In addition, there is the immense contrast between the speed at which goods travel on the State railways in Germany and on private-enterprise railways in England.

Before the war the principal commercial centres in England were connected by railway goods service at practically express speed, and no special charge was made for this service. On the Prussian State railways, if a consignor wished his goods to travel quickly, he had to pay a special high rate. If he wished them to go by the ordinary goods service the State railway was entitled to take a whole week for transmission from Berlin to Cologne, a distance of 366 miles.

Beyond this, the German State railways were much less liberal than the English private railways in giving compensation to traders for losses. In Germany, Mr. Pratt declares that it was practically impossible for the trader to get any adequate compensation out of the State, even when the loss was clearly the fault of the railway management. In England the companies compensated freely when goods were consigned at company's risk, and, in exceptional cases, even gave compensation when the goods were consigned at owner's risk.

[1] *German* v. *British Railways*, by Edwin A. Pratt. (P. S. King and Co., 1907.)

The English companies are also more generous in their treatment of traders, both as regards use of railway trucks and use of railway warehouses for the storage of traders' goods. Finally, the English railways are subjected to very much heavier charges for local rates. Mr. Pratt works out that the charge for local rates is £33 per mile on the Prussian railways, against £216 on the railways of the United Kingdom.

The experience of Switzerland in the matter of State railways is not encouraging to the advocates of nationalisation. It was in 1897 that the Swiss Ministry proposed a Bill for the purchase of the railway system of the Confederation; the Bill was accepted by the Federal Parliament the same year, and ratified by a referendum in February 1898. In the 'Message' in which the Government advocated purchase it was argued that the combination of all the Swiss railways in one administration would enable the system to be worked with fewer employees and greater economy, and would save a great deal of useless labour; that as a consequence it would be possible to reduce rates, to give improved train services, and to raise the pay of employees. These are exactly the promises which are made by the advocates of railway nationalisation in every country. Instead of the personnel being reduced, as promised, it grew rapidly. In 1909 the position had become so serious that the Swiss Parliament appointed a Committee of Inquiry. This Committee reported that one of the main causes of the deficit in the railway administration was the 'plethora of the personnel.'

The Government, in its Message in 1897, estimated that under State management 600 employees would suffice for the work of administration on which the five companies were employing 880 persons. By the year 1912 the number of employees in the central administration, instead of being reduced, had risen to 1011.

As regards the rates and fares charged to the public,

the experience of the Swiss railways has been equally unfortunate. In 1901, in a spirit of hopefulness, rates and fares were cut down to the lowest scale on which the companies had been working. This was a boon to some places while leaving others almost unaffected. But in the general overhauling of the system which took place in 1909 it was found necessary again to raise many of the rates and fares. In the same way with regard to the train service. In the first few years of State administration new trains were added with a lavish hand. But in 1909 we find the head of the railway administration denouncing the 'insatiable appetite of the public' for additional trains. The Cabinet recommended that the reduction in the number of trains should be made with great prudence, because improvement in the train service had been one of the most explicit promises made to the people to induce them to vote in favour of nationalisation.

As regards the payment of employees the story is the same. The administration began by making large readjustments of wages in order to carry out promises made, but very soon the demands put forward by the staff were found to be intolerable, and further concessions were refused. The employees at once complained that they had been deceived, and that they were worse off than they had been under the companies. As regards the financial results of State railway purchase in Switzerland, Mr. W. M. Acworth in his *Historical Sketch of State Railway Ownership* states that the authors of the purchase of the Swiss railways estimated that the profits to be realised would extinguish the railway debt in sixty years. As a matter of fact by the end of 1917 the debt, instead of being reduced at all, had risen from £41,000,000 to £54,000,000.

As regards Belgian State railways the reader may be recommended to study the evidence which Mr. Pratt and Mr. Acworth produce of the political corruption

resulting from the fact that the different political parties in Belgium played for the railwaymen's vote by offering them higher wages at the expense of the nation. That is an inevitable result of the multiplication of government employees in any country, but the corruption in Belgium seems to have been peculiarly shameless.

On the general results of State management a scathing condemnation was pronounced by the business men of Belgium only a few months before the outbreak of the Great War. In February 1914 the leading men in all the principal industrial organisations of Belgium, with the authority of their organisations behind them, drew up a protest to the Minister of Railways against the continued mismanagement of his department. They mentioned the constant delays, the refusal to deal with complaints, the impossibility of obtaining railway trucks, and the shameless interference of politicians with regard to promotion. They declared that the whole of Belgium was suffering from the mismanagement of the railways, with the notable exception of those regions served by private companies, and, in particular, by the Nord Belge. This private railway, they stated, had been subject to all the same difficulties as the State railways, but it had never failed to give satisfaction to its clients.

With regard to the reckless multiplication of officials which invariably follows State ownership, the experience of the French Chemin de Fer de l'Ouest is worth quoting. This railway was taken over by the State on 1st January 1909. At that date there were 1526 employees in the central administration and in the central traffic department. By 1912 the number of employees in these departments had risen to 2587. This increase in the central staff was in the first place due to political pressure, every member of the Chamber of Deputies welcoming the opportunity of finding jobs for constituents. In the second place, it was due to the red-tape methods which all governments adopt. For example, as long as the railway

was managed by a private company only one copy was made of all documents ; as soon as the State took control all documents were copied in triplicate. The annual deficit on the working of this line, which during ten years had averaged £580,000 under company management with a State guarantee, rose—according to Mr. Acworth—under direct State management to £2,900,000 in 1913.

The Australian State railways show at least as bad a record as the State railways of the Old World. There are altogether seven separate systems of government-owned railways in the Australian continent—Federal, New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania. Particulars with regard to the financial results achieved are published in the Official Statistics for the Commonwealth of Australia. It is sufficient to take the figures giving ' Percentage of Net Earnings on Capital Cost.' By ' Net Earnings ' is meant the difference between Gross Earnings and Working Expenses. In 1900-1 the total net earnings thus defined for all the seven systems represented 3·17 per cent. on capital cost. When allowance is made for the interest which the Australian governments have to pay on borrowed capital it is clear that this figure represents a very serious loss. The corresponding figure in 1913-14 was 3·91 per cent. ; in 1917-18 it was 3·02. The only one of the seven systems which in any year showed at all a satisfactory return was the South Australian system, which in 1913-14 showed net earnings representing 5·46 per cent., but in the following year this figure dropped to 1·79 per cent. The Federal system, which is comparatively a small one, has never succeeded in getting any net earnings at all ; year by year working expenses exceed gross earnings. The London *Economist* in its issue of 28th February 1920 publishes later figures showing the results secured by Australian State railways for the year 1918-19. They were even worse than the results for the two previous years, every one of the seven systems

showing an increased deficit after providing for interest on capital. The aggregate deficit for all the seven systems in 1918-19 was £3,036,736. The whole of this loss, incurred by State enterprise, has to be made good by taxes levied upon private enterprise.

We need not, however, look abroad when we have so clear an object lesson at home. The English railway system used to be the finest in the world. It was entirely the outcome of private enterprise. It was, moreover, a pioneer service, and as such had to surmount difficulties which railway constructors in other countries were able to avoid. The only favour it asked from the State was the grant of compulsory powers for the purchase of the necessary land, so that some obstructive individual might not be able to block a whole line of railway. That favour was grudgingly given. The State insisted that each separate project for railway construction must be formulated in a private Parliamentary Bill. These private Bills were submitted to Committees of the House of Commons and of the House of Lords respectively, who heard counsel and witnesses for and against. The cost of this procedure fell upon the promoters, and meant a serious addition to the capital expenditure for every mile of railway constructed. Moreover, this procedure placed a weapon in the hands of private landowners who wished to blackmail the companies, by making it better worth the while of the promoters of a scheme to pay extravagant prices for land than to deal with additional opposition before a Parliamentary Committee. Yet, in spite of these difficulties, private enterprise in England and Scotland has provided the community with a magnificent railway system. The money was subscribed by thousands of private persons, some of whom, during the railway mania, almost starved themselves in order to be able to buy shares. On much of the money invested not a penny of dividend has ever been paid. On this point it is permissible to quote the personal

experience of a great Englishman, whose services to his country and to the world cannot be measured in money. The late Lord Cromer, in writing to acknowledge in 1912 the receipt of the essays which are incorporated in Chapter IV. of the present volume, and to express his cordial agreement with the general line of argument, added :—

'Many years ago I invested £5000 in the Great Central Railway, which sum was the result of several years of saving. During sixteen years I received £12 as interest. This was paid for the first time last year, and will probably by reason of the railway and coal strike not be paid again for some while to come. All my £5000 went in wages in one form or another. I cannot see why I should be attacked as a robber.'

Many other investors in railway enterprise within the United Kingdom have had a similar experience. They used money, which they might have spent on their own personal enjoyment, in driving tunnels through hills, building bridges across rivers, excavating cuttings through high ground, raising embankments over low ground, providing steel rails and wooden sleepers, and equipping the new roadway with a complete organisation of rolling stock, stations, and signals. If instead of employing labour to create these permanent utilities, they had employed, as they were free to do, the same amount of labour on providing indulgences for themselves, they would have enjoyed an ephemeral satisfaction but the nation would have retained nothing; whereas the railways remain for the whole nation to use. The service rendered to mankind by those who thus voluntarily chose to invest rather than to spend is surely worth paying for. Taking our railway system as a whole, it did provide before the war a moderate return to the investor, while providing for the community an excellent passenger and goods service at a moderate cost. During the war, for military convenience, the whole railway system of

the Kingdom was brought under unified control, which was wisely entrusted to an Executive Committee composed of experienced railwaymen. Testimony to the way in which they discharged their duties during the war was borne by the Select Committee of the House of Commons on Transport in a report published on 14th November 1918. The Committee say :—

'The success that has attended the operation of the railways throughout the war, which has been superior to that witnessed in any other of the belligerent countries, affords conclusive proof both of the adequacy of the arrangements which had been made in advance and of the capacity of those who have been concerned with their execution.'

Since the war a gigantic new department has been superimposed upon the pre-existing organisation, which had demonstrated its adequacy. The service is worse than it was before the war, and the charges made for it are in most cases greater. Yet, instead of covering cost, it shows a heavy deficit.

Another striking answer to the theorising of the State Socialists is furnished by the mining industry of Great Britain. Like the railways, the coal mines of England and Wales and Scotland were developed entirely by private enterprise. An instructive example of what capitalist enterprise means is furnished by the story of the Horden Collieries.[1] The Horden Company was started in the year 1900, and the sinking of the pits began in the same year. The directors, in appealing to the public to take shares in the Company, frankly said : 'All undeveloped mining enterprise must necessarily be somewhat of a speculative character.' Several newspapers in their financial columns adversely criticised the scheme, and said in effect that the enterprise was too speculative to

[1] Information with regard to these collieries was supplied to the present writer in April 1919 by the managing director of the Horden Company, and by the Horden Colliery manager. The latter, Mr. Prest, subsequently gave evidence before the Coal Commission.

justify public support. The directors asked for £400,000; they only received from the public £47,000; all the rest had to be found by themselves and their private friends. Before the coal was reached very serious water difficulties were encountered, and for several weeks continuously sixty-seven tons of water were pumped up every minute of the day and night. Further capital had to be raised before the work of development was complete. A considerable part of this capital expenditure was for houses for the miners. Altogether £900,000 was spent over a period of seven years before any dividend was paid.

This example is typical of the way in which many of the most important coalfields of Great Britain have been developed. A comparatively small number of wealthy men have voluntarily risked very large sums of money in the hope of winning more. Their example has been followed, generally at a cautious distance, by larger numbers of less wealthy persons. Some investors have made fortunes, others have lost all their money; but as the result of this private investment the nation obtained the coal. Moreover, before the war the coal was cheap and each class of consumer was able to procure the class of coal that he wanted. During the war the coal industry passed under the control of the State. The results are before our eyes to-day. Coal costs more than it used to cost; there is less of it to be had; a worse evil still, persons who want coal of a particular quality for a particular purpose are supplied with a quality altogether unsuitable. Nor are these inconveniences confined to humble private individuals—mere citizens and taxpayers. The same inconvenience has been suffered by public bodies engaged in industrial operations. A striking example is furnished by the experience of the Corporation of Leeds. In February 1919 the Engineer and General Manager of the Corporation Gasworks reported to the Gas Committee that he was compelled by the Coal Controller to use Durham coal instead of Yorkshire,

and that a great increase in cost would follow. The matter was brought before the Corporation and a strong deputation was appointed to wait upon the Coal Controller in London. The deputation was received on 7th March by an official of the Coal Control Department. The chairman of the deputation stated that Durham coal cost in Leeds 7s. 3¼d. per ton more than the Yorkshire coal which the Corporation was forbidden to use; that 60 per cent. to 70 per cent. of the retorts in the gasworks were unsuited to the Durham coal supplied; that trucks could make four or five journeys a day from the Yorkshire collieries to the Leeds gasworks, whereas these same trucks now had to spend a fortnight carrying Yorkshire coal to parts of England which could be more easily supplied by sea from Durham. Other members of the deputation pointed out the serious effect of these factors on the price of gas in Leeds. The official representing the department made an official answer—blandly sympathetic but absolutely non-committal. On 18th March the representatives of the Leeds Corporation, on the invitation of the Coal Control Department, paid another visit to London. The gentleman whom they had seen on 7th March explained that he had been transferred to another department, and passed them on to a new official. The case was restated to this new official, who like his predecessor expressed unlimited sympathy, and committed himself to nothing.[1]

Under private enterprise such a record as this would be impossible. When complaints are laid before a private firm by an important customer they command instant attention, for the representatives of the firm would know that failing redress the business would be taken elsewhere. But under State control the aggrieved citizen or municipal corporation is debarred from this remedy. Every one,

[1] The above statement is a concise summary of the complete particulars supplied to the present writer by the Gas Department of the Leeds Corporation.

including even other departments of the Government, must submit to the dictation of officials who will continue to draw their salaries whatever blunders they may make, and however completely they may ignore legitimate complaints.

The mining industry in Germany furnishes a similar example of the results of State control. Lengthy reports on the German State mines were published in the course of the year 1919 by the Coal Industry Commission. From these reports the following significant statement may be quoted :—

'A comparison of the figures of the development of State-owned mines and those in private ownership, based on the Quarterly Statistical Returns of the German Empire, shows that while the State mines still occupy an important position in the domain of the coal output, in spite of all the efforts of the Prussian Government they have been unable, in the course of years, fully to maintain their former relative importance.'

In the early months of 1919 the German Government appointed a Socialisation Commission to examine the question of the nationalisation of the coal industry. This commission issued a majority and a minority report as to plans of organisation ; but the whole Commission unanimously concurred in the introductory paragraphs to the report dealing with general principles. Those paragraphs include the statement that

'The proceedings of the Commission have shown, while admitting all the advantages of the State control of mining, such startling examples of the inadequacy of this cumbrous State organism, that there cannot exist a particle of doubt as to the necessity of a radical change. The over-burdening of highly trained officials with petty duties, the objectless change of posts, the poor salaries, almost ridiculously small as compared with those in private industries, the restrictions on freedom of action, the lack of confidence reposed in those financially responsible, the complicated system of grades,

the protracted discussion of matters which could be settled in a few hours—in a word, control on the top of control, instead of personal responsibility and an incentive to initiative —these are the characteristics of this organisation.'[1]

Further evidence on the results of State mining in Germany is to be found conveniently and very clearly set forth in a memorandum, prepared by Mr. David Evans, on behalf of the Monmouthshire and South Wales Coal Owners' Association. It is sufficient here to refer to the account given of the negotiations of the Prussian Government Mining Board with the Westphalian Coal Syndicate in 1911. An agreement was reached in 1912, which would have enabled the Prussian Government to get an enhanced income from its colliery investments; but public opinion went against the Government, and the agreement was cancelled. A compromise was, however, reached. This provided for a general increase of about one mark per ton in the price of coal, 'but in order to still the voice of public opinion, the Government, while raising the price of coal and coke intended for industrial purposes, agreed to continue to sell coal and coke for private houses at the old prices.'

This striking illustration of the way in which the management of nationalised industries is deflected by political pressure is peculiarly interesting, because it is an exact counterpart of the action taken by our own Government in December 1919. In order to appease popular clamour, the Cabinet, without any warning, suddenly announced that the price of household coal was to be reduced by ten shillings a ton, leaving coal for industrial purposes still subject to the high price previously fixed. This step necessarily involved very grave practical and economic difficulties. In practice it is impossible to draw any absolute line of demarcation between industrial coal and household coal; thus the new order involves, so long as it continues, official inquiry into the destination

[1] *Review of the Foreign Press, Economic Supplement*, 26th March 1919.

of each hundredweight of coal, so as to prevent industrial users from obtaining the benefit of the arbitrarily lowered price. It involves the further inconvenience that many of the mines which produce coal specially fitted for household consumption are obliged to sell at a loss, for the politically-determined price of household coal does not cover cost of production. Consequently, it becomes necessary to set up new official machinery for the payment of a subsidy to these mines, and the money will have to be provided—as above stated—either out of the profits made on the sale of coal for export, or by further taxation, or by further addition to the national debt.

Needless to say, there is no economic justification for this political distinction between household coal and industrial coal. It is just as important—and in some ways even more important—that we should have cheap coal for our factories as for our domestic fire-grates. But that is a consideration which only a minority of voters can appreciate, whereas every householder appreciates the advantage of cheaper coal for his own home. Consequently, a Government playing for popular favour takes a decision which cannot be defended from the point of view of national economy or of public finance.

If further examples be needed of the incapacity of the State to handle industrial problems, they can be found in the achievements of the Shipping Controller and of the Food Controller. In both these departments blunder has followed blunder, and the blunders have had to be paid for, not by the officials or the politicians who are responsible for them, but by the outside public, by merchants and manufacturers, by professional men and manual workers, all of whom have had to suffer because the State has clumsily interfered with their business, or needlessly taxed them to pay for its mismanagement.

Thus, judged by practical experience, nationalisation has proved a complete economic failure. Is there any theoretical reason for disputing the verdict of this prac-

tical experience? By way of answer to this question the Socialists assert that, if society were organised on the new model which they contemplate, the altruistic characteristics of man would have fuller scope, and all men would work for the good of all. To give some kind of solid support to this attractive speculation the Socialists point to the example of the nation at war. Curiously enough this example is quoted even by Socialists who denounce war as an inexcusable crime, and who themselves refused to play any active part in the war in which their country was engaged. However, let that point pass. The really important point is that the appeal to the example of war is fallacious, by whomever it is made. It involves the assumption that the operations of war are analogous to the operations of industry; that a battlefield is in fact only a special type of workshop. Thus stated, the inherent absurdity of the comparison becomes fairly obvious. The motives which induce men to fight are fundamentally different from those which induce them to work. Most normal men are ready, when their country is in danger, to fight, and if need be, to die for her sake; very few men are willing, in time of peace, to sacrifice either their wages or their profits for the benefit of the public exchequer.

The reason for this fundamental contrast is that, when a community is at war, all its members understand that individual sacrifice is necessary to avert a common danger. But where there is no overwhelming danger to be averted, the normal man sees no obvious reason why he should sacrifice his pecuniary interests for the benefit of the community as a whole, or for the benefit of other individuals who are as capable of looking after themselves as he is. This contrast of motives, due to contrast of conditions, has existed from all time, and is likely to continue to exist as long as human beings remain human.

When we come to the actual battlefield, the contrast with the conditions prevailing in a workshop is so glaring

that it is difficult to understand by what mental process the Socialist persuades himself that it is possible to use the example of war as a basis for industrial organisation. In the battlefield, death momentarily threatens every soldier, and therefore life itself assumes a smaller value. Stern discipline has taught the soldier the duty of instant obedience to orders, however unpleasant, however apparently meaningless. If told to stay in a muddy ditch under continuous shell fire for forty-eight hours, or if need be for ninety-six, he stays, and it does not occur to him to ask for overtime pay, with double rates for night work. On the battlefield, if the spirit of service should fail and the military servant of the State should venture to disobey orders, he may be tried by court-martial and shot the next morning; in the workshop, when an industrial servant of the State disobeys orders, the worst that can happen to him will be dismissal, with a sporting chance that his union may call a strike and demand his reinstatement.

It is true that some Socialists contemplate the introduction of military discipline into State workshops. The Russian Bolsheviks have already done this, and in Russia the employees of the State who go on strike are liable to be shot.

Failing the introduction of military discipline, the State, as industrial employer, will only be able to rely upon those motives which actuate human beings in the ordinary avocations of peace, and the question we have to ask is whether those motives are likely to lead to greater efficiency under a system of nationalisation than under a system of private enterprise.

The most dominant of human motives is the instinct of self-preservation. So long as industry is organised on the basis of private enterprise, that instinct promotes efficiency; for the private individual knows that if he gives bad service he will lose his business or his employment. No such fear overhangs the Government organiser

or the Government servant. If a Government enterprise fails, the loss falls not upon the people who are responsible for the management of the enterprise, but upon the general body of taxpayers. The permanent officials concerned hold their appointments on a life tenure. The worst that can happen to them, in the case of a glaring failure, is transference to another department, with possible increase of pay. The politicians who are behind the officials are equally immune from any unpleasant consequences if, through their mismanagement, the concerns entrusted to their control are involved in loss. A minister of the Crown may involve the public exchequer in a needless expenditure of scores of millions of pounds by granting a bonus of 12½ per cent. to certain classes of State employees, without pausing to consider the consequences ; but such wanton waste of the nation's money will not injuriously affect his political career. After a brief interval an even more conspicuous appointment will be found for him and, provided he plays the political game with astuteness, he can continue to make whatever industrial blunders he likes.

The subordinate officials, on whose industry and intelligence the success of any enterprise must very largely depend, have no greater personal incentives to efficieney than have their official and political chiefs. In a commercial firm, junior employees who seem to promise well are put in charge of minor departments, are given a fairly free hand, and are watched to see if they make good. If they succeed they are promoted, or their salaries are raised ; if they fail, they are perhaps given another chance ; but continued failure will mean either that they are confined to the lower grades of work, or that they are asked to leave. In a Government department these obvious devices for securing efficiency are ruled out by the conditions of the service ; for it is necessary that employment in the Civil Service should be permanent in character in order to prevent political cor-

ruption. The Americans for nearly a century refused to accept the plan of a permanent Civil Service, and Government servants were as easily dismissed as the employees of any private firm. Theoretically, that system gave to the rulers of the country the opportunity of weeding out the inefficients and promoting the best men; practically the American system resulted in wholesale political corruption. Every election was liable to be followed by a complete sweep in the Government offices, the nominees of the defeated party being turned out, and the nominees of the victors installed in their places.

To diminish this intolerable evil, the United States has in recent years adopted—at any rate, partially—the English system of a permanent Civil Service. That system has the supreme merit of securing honest servants for the State; but it secures little more. The qualities which make for efficiency in industrial enterprise are not to be found in the Civil Service. A distinguished English civil servant, in a private letter addressed to the present writer in the year 1919, wrote: 'No one who has not been actually in the service has any idea how enterprise and originality are regarded as crimes.' A similar condemnation of the American bureaucracy was pronounced by Mr. Franklin K. Lane, who retired in February 1920 from his post of Secretary of the Interior in the United States government. In an open letter to President Wilson published in the American press, Mr. Lane gives the conclusions he had reached during twenty years of public service. He says that public servants are unwilling to take any responsibility and are harassed by a multiplicity of details and all kinds of 'checks and brakes,' and that every one in the administration is afraid of every one else. 'The self-protective sense is developed abnormally; the creative sense is atrophied. Trust, confidence, enthusiasm—these simple virtues of all great businesses are the ones most lacking in government organisation.'

Equally emphatic is the condemnation of the methods of bureaucracy by the lower ranks of the service. At the annual conference of the Postmen's Federation, held at the Central Hall, Westminster, on 16th September 1919, the chairman said: 'The machine-like methods of the Postal Department strangle initiative, kill contentment, and add to the burden of unrest in the country.'

There is no reason for surprise at these emphatic verdicts. It is a necessary condition of a permanent Civil Service that promotion shall be by seniority, and that men shall not be dismissed except for openly scandalous offences. Otherwise it is certain that political influences would dominate the whole service. The men who had political friends would be promoted, and excuses would be found for getting rid of those who were politically friendless, in order to provide berths for the protégés of the party in power. But when promotion is by seniority there is no incentive to the civil servant to exert himself or to take risks on the chance of winning approval. His safest course is to play for safety by following strictly the strict routine of his office. He does this, often perhaps with reluctance, often with contempt for the regulations he has to carry out; but he does it, with the result that the dead hand of the bureaucracy is everywhere a byword.

Provided the State confines its operations to the essential business of Government—the protection of life and property, and the enforcement of honest dealing between man and man—the lack of enterprise and initiative in the Civil Service is a matter of little consequence, for these qualities are not greatly needed for such work; honesty is the supreme necessity. But if the State is to launch out into every kind of industrial enterprise, the necessary limitations of the permanent civil servant become fatal to efficiency. This fact has now been realised, even by the most ardent advocates of the system of nationalisation. One after the other they have been denouncing bureaucracy. Speaking at Liverpool on 27th October

1919, Mr. Frank Hodges said: 'Bureaucratic control would be worse than private enterprise.' Mr. William Brace, M.P., expressed a similar opinion in the House of Commons on 28th November, and amplified his statement at the meeting of the Trades Union Congress held on 9th December to demand universal nationalisation. He then said:—

'The mining industry was in a state of chaos and confusion. No development work of any particular character was being undertaken. The sooner the Government made up its mind where it stood the better for the nation. Better far go back to the old system of private ownership and control than continue as they were now. . . . The nationalisation which the miners proposed was not the kind of nationalisation about which their opponents talked. They said, "Look at the telephone system." Well, it was pretty rotten. He knew nothing that had caused more vocal or silent profanity. But the reason was that the telephone was controlled bureaucratically. The miners proposed that the mines should be operated by the people who knew best, by a union of labour with the hand and labour with the mind.'

The preachers of Guild Socialism, who constitute one of the advanced wings of the Socialist Party, are specially insistent on the dangers of bureaucracy. In an extremely interesting little volume, describing the principles and possibilities of the Guild State, Mr. Stirling Taylor writes:—

'Centralisation has meant in practice the triumph of the governor over the governed. . . . Centralised government, which has collected so much of the public work into one spot, has thereby succeeded in concealing the culprit from the victim of his inefficient rule. There are tens of thousands of officials in a great government. Who is the one responsible? Behind which of those thousands of windows and doors does he sit? Through how many of these corridors and rooms will a letter wander if one writes to tell him of his sins? And since he is so safely out of reach, will he much worry if your letter does reach him?'

And again :—

'Bureaucracy, as a matter of fact, does not choose expert workers; it chooses first-class bureaucrats. It would be inhuman if it did not look upon the world with the rather timid eyes of the sedentary clerk. It probably thinks that the world can be saved if a sufficient number of letters and reports are written about it.'

How then, it may be asked, do the anti-bureaucratic Socialists propose that nationalised industries are to be controlled? The answer to this question is contained in the scheme of the Miners' Federation, which was expounded by Mr. Brace in the House of Commons in February 1920. One of the principal features of the scheme is the division of the coal area of the Kingdom into some fourteen districts, each to be under the rule of a District Committee. The District Committee is to have complete control over the extraction and the distribution of coal; it is to regulate the output; it is to control prices; it is to fix wages; it is to decide upon the discontinuance of old mines or the opening up of new ones.

According to the scheme, each Committee is to consist of four miners, four mine officials, four persons representing consumers of coal and two persons appointed by the Minister of Mines. In practice—if we may judge from the experience of the Consumers' Council attached to the Food Ministry—several of the so-called representatives of consumers would be nominees of Co-operative Societies, captured in advance by the Socialist Party; while one at least of the persons appointed by the Minister of Mines would probably be a local labour leader. But even apart from these probabilities the persons employed in the mines, either as manual or as mental workers, would have a clear majority of 8 to 6 on the Committee. Their interest would be to look at every problem from the point of view of their own wages and salaries, and they would inevitably—unless human nature undergoes a

complete revolution—use their power to benefit themselves at the expense of the rest of the nation. It may be said that this is just what the capitalist entrepreneur does to-day. But the capitalist mine-owner has to sell his coal in competition with all the world; the Committees proposed by the Miners' Federation would be endowed with an absolute monopoly. Not a ton of coal could be moved in any district without the permission of the miners and mine officials enthroned in that district.

We have to go back to the sixteenth century to find any comparable example of so cynical a scheme for setting up a legal monopoly for the benefit of private interests. There is however this difference. The monopolists of the sixteenth century paid to the Sovereign a substantial sum as consideration for the monopoly they acquired. The would-be monopolists of the Miners' Federation propose to pay nothing. On the contrary, they propose that the nation should provide the capital with which to buy out the existing mine-owners, and then transfer the whole of the mining system of Great Britain to the miners and the mine officials with power to exploit this magnificent property for their private benefit. In effect, Mr. Brace's exposition of the scheme of the Miners' Federation amounts to a frank confession that when the miners talk upon public platforms about wanting the 'nation's coal' for the benefit of the nation, what they really mean is that they want the nation's money to buy the mines for the benefit of the miners.

No House of Commons is ever likely to consent to such a shameless disregard of the welfare of the nation as would be involved in the acceptance of the miners' scheme of nationalisation. There is, however, always a danger that politicians, in the exercise of their essential business of hunting for votes, may try to buy support by offering illogical concessions as an alternative to impossible demands. A case in point is the proposal of the present government to nationalise mineral royalties. It is certain

that this proposal would never have been made except as a political sop to the Labour Cerberus. The whole question of mineral royalties was carefully examined by a Royal Commission in 1893. The Commission included mine-owners and miners, the latter being represented by two distinguished trade-union leaders, Mr. Thomas Burt and Mr. William Abraham. After two and a half years' exhaustive examination of the whole subject, the Commission reported unanimously as follows :—

'We are of opinion that the system of royalties has not interfered with the general development of the mineral resources of the United Kingdom or with the export trade in coal with foreign countries.

'We do not consider that the terms and conditions under which these payments are made are, generally speaking, such as to require interference by legislation.'

All the questions of coal barriers and obstructive landowners which figure so largely in the evidence given before Mr. Justice Sankey were dealt with by this Royal Commission, and detailed recommendations were made which would have removed the grievances complained of. But just because the recommendations were practical instead of being sensational, they were ignored by Parliament. The politician, like the actor, is compelled by the conditions of his trade ever to seek the limelight. It is not worth his while to take in hand a small reform that nobody will talk about.

From the financial point of view the proposal to buy up mineral royalties is too foolish for serious consideration. At present royalties are only paid after the coal is won. They vary in amount from about 3d. to about 1s. 2d. a ton, according to the nature of the coal and of the colliery. They are the result of private bargaining between powerful colliery companies and individual landowners, some of whom are certainly not in a position

to hold out for hard terms. The aggregate sum paid in royalties is roughly £6,000,000 a year, and of this approximately half is taken by the State in taxation. Therefore the utmost that the State can buy is a wasting annuity of about £3,000,000 a year. To effect this purchase the State would have first to spend an enormous sum to secure a complete valuation of all the coalfields of the Kingdom with all the varied proprietary rights involved. Next, as each valuation was completed, the State would have to borrow money, possibly at more than 6 per cent., to buy up the owners' proved interest. At the end of the proceedings, which would certainly occupy many years, colliery companies, instead of dealing with private landowners on the spot, would have to deal with bureaucrats in a London office, anxious above all things to justify their own existence and to make a show of profit on a hopeless speculation.

That is the end of all schemes of nationalisation. None of these schemes in any part of the world has yet produced financial results which even approximately justify the promises made in advance. Nor has nationalisation produced contentment among the workers concerned. Everywhere the servants of the State are engaged in abusing their master. Everywhere men strike against the State as willingly or even more willingly than they strike against private employers. Nowhere does nationalisation induce any higher code of social morality; it only enlarges the power of groups of men to inflict injury upon their fellow-citizens.

The truth is that the demand for nationalisation is based not upon reason but upon fanaticism. It is a new religious creed which in the minds of the young has taken the place of the old faiths. It was started by Karl Marx fifty years ago and has been cleverly propagated in this country by middle-class Socialists, many of whom in private laugh at some of the economic absurdities on which Marxian Socialism is based. It has now captured

the imagination of the younger wage-earners, who dominate the trade-union movement by attending meetings from which the more sober-minded members remain away.

The essence of the creed is the elimination of the capitalist. The Fabian, or Webbian, Socialists—who are getting a little out of date—have the intelligence to see that this can only be done by substituting the State, with its politicians and its officials, for the private capitalist. In his evidence before the Sankey Commission, of which he was also a member, Mr. Sidney Webb stated that at the head of the State administration of the coal industry there must be 'a Minister of Mines, responsible to parliament, presiding over a department adequately staffed.' He also said: 'The Minister of Mines ought to be a member of the House of Commons, ought to be liable to a vote of censure, and if such a vote were carried it should bring down the whole Ministry.' That is to say, Mr. Webb demands exactly that system of State Socialism which the miners' leaders and the younger Socialists so emphatically condemn as worse than private enterprise.

But Mr. Webb is right. The only alternative to private enterprise is State Socialism. And for this reason: that an adequate supply of capital is an essential requisite for every industry. The workman must have food, day by day, but months may elapse, as in the obvious case of farming, or years as in mine-sinking, before the work on which he has been engaged brings back any pecuniary return. In addition, each workman in a modern industry must be backed with a large sum of capital with which to pay for the machinery he uses and the materials he helps to work up. Capital is further required to meet the contingency of bad debts and delayed payments.

The workman clearly is not in a position to supply this capital himself. Where is it to come from? Very few of the younger Socialists have faced this problem or perhaps even perceived it. But Mr. G. D. H. Cole,

who brings an academic mind to the advocacy of Guild Socialism, sees clearly that there is no solution of the problem except by appealing once more to the State. In the evidence which he gave before the Sankey Commission—since reproduced in a pamphlet on national guilds—Mr. Cole said frankly that the State must be financially responsible for the industry. To quote his words, as applied to the mining industry: 'Any surplus of mining revenue over expenditure, or of expenditure over revenue, will pass into the Budget; and any fresh capital required, whether raised by special mining stock or otherwise, will be provided by the State.' [1]

That is quite explicit, but what Mr. Cole and all the anti-bureaucratic Socialists fail to see is that if the national Budget is to be made responsible for the finances of any industry, Parliament will sooner or later insist on exercising control over that industry. It is inconceivable that the House of Commons would permanently allow any Minister, or any Industrial Council, to have an uncontrolled power of spending money which the House will have to vote. Even Guild Socialists cannot escape from the fact that sooner or later the man who pays the piper will call the tune.

It is true that under present political conditions Parliament seems to care very little either for the interests of the taxpayer or for the credit of the nation. But these conditions are only possible because private enterprise has created an enormous volume of private wealth for the State to plunder. Under a universal system of nationalisation that private wealth will disappear, and Mr. Cole's somewhat naïve suggestion for 'raising special mining stock' will become obviously impracticable. When all or any considerable number of our industries have been nationalised, the State will only be able to obtain money for new developments, or for making good losses on working, by taxing the 'workers'; for

[1] *National Guilds and the Coal Commission*, p. 13.

there will be nobody else to tax. But, as the attitude of the miners towards the present income tax sufficiently indicates, no proposal to increase the taxation of the whole body of working-class voters is likely to be well received in any representative assembly. The House of Commons —if that body is allowed still to exist—will once again use the power of the purse as our ancestors used it, and every State enterprise that comes to Parliament to ask for fresh capital, or to beg for a deficit to be made good, will be called upon to render a strict account of its financial position and prospects.

More than that, Parliament, in order to protect itself in advance from demands involving the taxation of the whole body of voters, will insist on those precautions which experience has proved to be necessary to prevent unauthorised expenditure. In substance those precautions mean, and must mean, some kind of Treasury control; that is to say, the official body which represents the Chancellor of the Exchequer must have power to prevent expenditure. In other words, every proposal for fresh expenditure in nationalised industries will have to be submitted for approval to officials at Whitehall, who will have no knowledge of the industry itself, and whose main duty it will be to save money. The dead hand of bureaucracy will be even heavier than it is to-day.

Nor will the Guild Socialist plan avoid the other evil of State control—political influence. If Parliament is to be called upon to provide new capital for industrial guilds, and to make good any deficits on their working, as Mr. G. D. H. Cole stipulates, the 'workers' who are managing the industry will find it necessary to establish friendly relations with members of Parliament, and the various evils of political control will at once follow. The political conscience is as light as the bureaucratic hand is heavy, and a very large number of members of Parliament in all countries assume that they are

entitled to demand from ministers comfortable berths in the public service for their private friends or for their constituents. That is one of the reasons why the transference of any industry to the State is promptly followed by an increase in the number of officials attached to the industry. The same influence would necessarily operate upon a guild-controlled industry coming to Parliament for money.

Such an industry would also be subject to what may be called the higher political influences. Ministers of the Crown are not often much concerned about little jobs of personal patronage, but they are concerned with the effect of any action upon the general fortunes of their party. Suppose the workers in the mining industry want £10,000,000 for new developments, the Cabinet will have to consider that demand, and will very quickly decide that the mass of voters will not understand the merits of a scheme of mining development, but will be politically grateful for cheaper coal. The miners will then be told that if they wish to have the money for development they must lower the price of coal, even at the cost of their own wages.

There is in fact no escape from the evils of State control under any system of nationalisation which makes the State financially responsible for the industry. If the State is to be the ultimate paymaster, it must insist upon supervising the whole operations of the industry, wherever these operations involve expenditure or the possibility of expenditure. But if the State is not financially responsible, who is to be? The workers themselves cannot accept the responsibility. A mine, for example, takes about five years to develop. During that period the workers are receiving wages week by week, and not one penny is coming back. If the workers had to provide the money themselves they would have to forgo the whole of their wages, and would in most cases then have nothing to live upon.

Thus we are driven back to the private capitalist, *i.e.* to the person who has saved some of the money that he might have spent, and is willing to lend it to others to spend. He is the person who has hitherto financed all the industries of the nation, and who, to a very large extent, is at this moment financing the nation itself. He lends his money to pay for enterprises which give employment to the wage-earner and create wealth for the whole community. He seldom professes to be a philanthropist. His main purpose is to provide for his own future advantage by forgoing present expenditure. Sometimes he aims at securing a safe competence for his old age; sometimes, with even greater advantage to his country, he acts in the spirit of adventure, risking large losses in the hope of large gains. The latter motive is the mainspring of nearly all new departures in industrial or commercial development. It is also the source of most private fortunes. Possibly, as the Socialists allege, the capitalist, whether aiming at dull security or at speculative fortune, is so morally contemptible a creature that he deserves only abuse if he succeeds, and oblivion if he fails. Nevertheless, the critics of the capitalist would do wisely to reflect that the only alternative to the freedom and elasticity of enterprises financed with private money is the monotonous tyranny of the bureaucratic State.

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